

Terms of Reference

EXTERNAL AUDITOR SERVICES

Background

The Samdhana Institute is a not-for-profit organization established in 2003 and registered in both the Philippines and Indonesia.

In Indonesia, it was officially founded under Notarial Deed No. 10 dated 16 June 2005 by Husna Darwis, S.H., Public Notary in Bogor. The organization's name was later changed to Perkumpulan Institut Samdhana via Deed No. 5 dated 12 January 2008 by Marlisa, S.H., MK.n, Public Notary in Cianjur. Since then, its articles of association have been amended several times to reflect decisions by the board regarding management and oversight. These amendments were recorded by the Ministry of Justice and Human Rights of the Republic of Indonesia under Letter No. AHU-0000241.AH.01.08 Year 2017, dated 3 May 2017.

In addition to its Indonesia office, Samdhana operates in the Philippines to support work across Philippines and the Mekong region. It is registered with the Philippine Securities and Exchange Commission (SEC) as of 6 November 2023, with Company Registration No. CN200340507.

The Indonesia office comprises 26 staff across four programs—grants, capacity development, lifescape and policy support—and four units: resource mobilization, knowledge management, finance, and human resources/administration.

The organization's accounting and financial practices are guided by Samdhana's Financial Policies and Procedures. In Indonesia, financial statements are prepared in accordance with ISAK 35 or GAAP for non-profit organizations. In the Philippines, financial reporting follows the Philippine Financial Reporting Standards for Small and Medium-Sized Entities (PFRS for SMEs).

Audit Objective

The objectives of the audit are to enable the Auditor to express an opinion on whether:

- i. Samdhana's financial statements for the period 1 January to 31 December 2024 present a true and fair view of the organization's financial position, in accordance with internationally recognized auditing standards.
- ii. The internal control systems in place are adequate and effectively support risk management and the achievement of organizational goals.
- iii. Financial transactions comply with Samdhana's financial policies, and the organization's resources are used efficiently and effectively.
- iv. Grant funds from donors and other sources are utilized in accordance with the terms of the relevant agreements.
- v. Organizational assets are accurately and fully presented in line with grant agreements and properly reflected in the financial report.
- vi. There are areas critical weaknesses and recommendation for improvement.

Scope of Audit

The audit should be carried out in accordance with the International Standards on Auditing (ISA) published by the International Federation of Accounts and should include such tests and controls, as necessary for performance of the audit. Further, audit aims to assess the adequacy of the organization's financial and accounting systems to ensure they provide accurate and reliable financial information. The Auditor will evaluate the systems used in the Indonesia Office and, where necessary, offer recommendations for improvement. The scope includes the following areas:

- **Internal Controls**
Assess selected transactions to determine the effectiveness of internal control measures, including transaction approvals, authorization levels, segregation of duties, and other checks and balances.
- **Cash Management**
Review procedures for safeguarding cash, such as fund flows from banks and petty cash (disbursements and receipts), security of cash on hand, and the frequency and accuracy of cash counts.
- **General and Administrative Expenditures**
Evaluate compliance of operational spending (e.g. travel, office furniture, equipment, repairs, maintenance) with internal policies and procedures.
- **Human Resources**
Examine payroll systems, financial benefits, and their alignment with HR policies.
- **Projects**
Ensure project expenses are charged appropriately and not duplicated. Verify the accuracy of project financial reports.
- **Procurement**
Review procurement practices for competitiveness, transparency, and compliance with the organization's Procurement Policy.
- **Fundraising**
Evaluate fundraising-related income and expenditures to ensure alignment with internal policies and applicable regulations for a Perkumpulan or a non for profit organization.

Qualifications of the Auditor

The Public Accountant Firm must have demonstrated experience in auditing development aid programs and projects funded by both international and local donors. The firm is expected to employ qualified personnel with relevant professional certifications and a proven track record in conducting institutional audits. This ensures the firm's ability to meet the technical and ethical standards required for the engagement.

Interested firms must submit the curriculum vitae (CV) of the team leader and key personnel assigned to the audit. Each CV should clearly outline relevant audit experience, including current assignments, to demonstrate the team's competence and capacity to undertake the task effectively and within the required timeframe.

The Auditor must remain independent throughout the entire audit engagement. Independence means that the auditor must not be employed by, serve as a director for, or maintain any financial or close professional relationships with members of the Board or senior management of the Samdhana Institute.

All financial and non-financial information obtained during the audit must be treated as strictly confidential. The firm and its audit team must not use or disclose any information without prior written consent from the Samdhana Institute and must ensure secure handling and storage of all materials shared during the engagement.

Additionally, the firm should disclose its legal status and organizational structure; provide a list of principals and partners along with their respective qualifications and roles, indicate the total number of professional staff including auditors and support personnel, and demonstrate relevant experience in conducting institutional audits – particularly for non-profit organizations and donor-funded projects. Affiliations with an international audit firm is mandatory and must be clearly stated.

The firm must disclose whether any of its partners or professional staff are currently involved in any legal or professional disputes, under investigation, or have had their professional licenses suspended.

Audit Report and Management Letter

Audit Report

The audit report must clearly state the Auditor's professional opinion and include, at a minimum, the following elements:

- **Title, Addressees, and Introductory Paragraph**
 1. Identification of the financial statements audited, including the period covered.
 2. A statement outlining the responsibilities of Samdhana Institute's management and the Auditor's responsibilities.
- **Auditor's Opinion Paragraph**

The Auditor shall specify the reporting period and auditing standards applied. The opinion should address:

 1. Whether the financial statements and supporting schedules fairly present the cash receipts and expenditures, in all material respects, and confirm that funds were used as intended under the work programme.
 2. Whether the financial transactions are in line with applicable financial regulations, procedures, budgetary provisions, and other relevant directives.
 3. A summary assessment of the adequacy and effectiveness of the organization's management and internal control systems.
- **Adjustment Journal**

If applicable, any necessary adjustment entries should be provided and documented.

The Management Letter

should address the following areas:

- **Assessment of Internal Controls**

An evaluation of the organization's internal control system, with emphasis on:

 - (i) its effectiveness in providing management with timely and reliable information for decision-making, and
 - (ii) its overall ability to safeguard the organization's assets and resources.

- **Identified Weaknesses and Recommendations**

A description of any internal control weaknesses observed in the financial management system, along with the audit procedures used to address or mitigate these issues. The letter should also include actionable recommendations to correct or eliminate the identified weaknesses.

- **Management's Response**

Comments and responses from management regarding the audit findings and recommendations.

The Auditor may include additional information or explanations that do not constitute a formal reservation. All audit reports must be submitted in English.

The Audit firm will produce audit reports Indonesia operations for period 01 January to 31 December 2024.

Tentative Timeline

Below is the suggested timeline for audit process:

No.	Activity	September			
		W1	W2	W3	W4
1	Kick-off meeting	X			
2	Documents review and field verification (if any)		X		
3	Finding presentation			X	
4	Submission of Management Letter Draft and Audit Report Draft			X	
5	Samdhana internal review				X
6	Submission of Final Management Letter and Audit Report for Indonesia				X

Proposal submission and requirement

The proposal should indicate:

- Engagement Approach and Methodology
- Audit firm experience: outline of firm expertise and track record in audit not for profit organization, size of the firm, affiliations with an international audit firm.
- Key personnel and Audit Team Member professional qualifications, including their audit experiences.
- References: please list contact information for at least two organizations similar to the Samdhana Institute's that Firm has audited.
- Please submit your proposal by to:

Attn:

Dina Manullang (dina.manullang@samdhana.org)

With copy to:

Krisna Kirana (email: krisna@samdhana.org)

Service Fee

Please outline your audit fee in Indonesia Rupiah (IDR). The cost of preparing a proposal and conducting the pre-proposal survey or any meetings for verbal presentations shall be borne by your company, regardless of the conduct or outcome of the solicitation process. Proposals must offer services for the total requirements: 1. professional fee (list of team and daily rate), 2. out of pocket (reimbursement at-cost) for transportation, etc if any; 3. Applicable taxes. All proposals must remain valid and open for acceptance for a period of 45 (forty-five) days after the date specified for receipt of proposals.

Fees will be payable in instalment as follows:

- 30% upon signature of the Engagement Letter or commencement of the audit,
- 40% after submission and satisfactorily acceptance of draft reports,
- 20% upon satisfactorily acceptance of Final audit report by the Samdhana Institute

Availability of facilities and right to access

The auditor will have full and complete access at working days/hours during the contract to The Samdhana Institute records and documents (including books of account, legal agreement, bank records, invoices and contract etc) and all employees, consultant, over the period under the audit review.