

## **Request for Tender**

### **End of Project Audit for the Community Livelihood Promotion Project Myagdi**

#### **1. Background:**

Nepal Red Cross Society (NRC), in partnership with Irish Red Cross (IRC), is currently implementing a two-year Community-Based livelihood Enhancement Project in four wards (2, 3, 5 & 6) of Raghuganga Rural municipality, Myagdi District, Nepal. The project, with funding from the Irish Government, commenced on August 1<sup>st</sup> 2023, and is scheduled for completion on July 30<sup>th</sup>, 2025.

The project aims to support approximately 1,000 vulnerable and marginalized individuals, including farmers, women, persons with disabilities, and ethnic minorities residing in the remote and mountainous regions of Nepal. These communities face multiple challenges such as poverty, dependence on subsistence farming, limited market access, poor infrastructure, and the growing impacts of climate change. As a result, they remain vulnerable to food insecurity, persistent poverty, and natural disasters.

The overarching goal of this initiative is to enhance the socio-economic resilience of these communities through the provision of targeted support. This support encompasses climate-smart agriculture training and the distribution of essential agricultural inputs. By addressing the specific challenges faced by these vulnerable groups, the project aims to foster sustainable livelihood improvements.

For the effective implementation of field-level activities, the roles and responsibilities of the project partner and the implementing bodies are as follows:

**Irish Red Cross:** The Irish Red Cross is the primary funding and technical support partner for the project. IRC provides timely financial support and strategic guidance to ensure the project aligns with international standards and best practices.

**Nepal Red Cross Society:** Nepal Red Cross Society's national headquarters is responsible for the national level coordination, resources mobilization and ensuring financial accountability and compliance with partner requirements, also provides technical backstopping and quality assurance. Throughout the project. Similarly, the NRCS Myagdi district chapter is the main implementing body at the community level, and the district chapter is responsible for implementing the entire project activities in the community, monitoring the progress and maintaining build relationship coordination between local authorities, and beneficiaries to foster sustainability and community ownership.

The total budget for the project was NPR. 49,175,687.00

In accordance with the agreement between NRCS and the IRC, the IRC now seeks to engage an independent and qualified external audit firm to conduct a **final audit** of the Community Livelihood Promotion Project upon its completion. This **final audit** will assess the project's financial management, accountability, and adherence to the agreed terms and will be performed in accordance with International Standards on Auditing (ISAs).

## 2. Objectives and Scope of the Audit:

The overall objective of this final audit is to provide an independent assessment of the Red Cross Community Livelihood Promotion Project's financial management, accountability, compliance, and performance. This will be achieved through the following specific objectives and scope:

### 2.1 Financial Audit Objectives and Scope:

- **Objective:** To audit the financial reports for the period from 1st August 2024 to 31st July 2025 as submitted to the IRC. The auditor will express an opinion in accordance with ISA 800 / 805 on whether these financial reports present fairly, in all material respects, the financial position and performance of the Community Livelihood Promotion Project, in accordance with NRCS accounting records and IRC's financial reporting requirements.
- **Scope:** This will involve, on a test basis:
  - Examining the existence and adequacy of supporting documentation for reported expenditures, with the extent of testing determined by the auditor's risk assessment and clearly documented. Missing documentation and corresponding amounts must be specifically reported, and the verification of appropriate stamps on invoices is required.
  - Requesting bank confirmation letters mailed directly to the implementing partner's separate bank account.
  - Confirming and reconciling amounts received from the IRC.
  - Performing substantive testing on expenditure to verify proper allocation to approved budget lines.
  - Performing substantive testing to verify the existence of valid third-party supporting documents. The sample size and methodology should be documented.
  - Performing substantive testing on the fixed asset list (if applicable) to verify existence and valuation.
  - Verifying the occurrence of transactions related to any interest earned and exchange gains/losses.
  - Evaluating the appropriateness of accounting policies, including the reasonableness of estimates and related disclosures, particularly concerning project costs funded through the IRC.
  - Identifying and assessing risks of material misstatements due to fraud or error, designing and performing audit procedures to obtain sufficient and appropriate evidence, and properly assessing identified or suspected risks (in accordance with ISA 240).
  - Obtaining an understanding of internal controls relevant to the audit to design appropriate procedures (without expressing an opinion on their effectiveness), specifically focusing on controls pertaining to project costs.

### 2.2 Compliance Audit Objectives and Scope:

- **Objective:** To assess and report on the project's compliance with the terms and conditions of the funding agreement between the IRC and NRCS, as well as applicable laws and regulations concerning accounting, taxes, and employment.
- **Scope:** This will involve:
  - Examining and reporting on compliance with the terms and conditions of the agreement with the IRC.

- Gaining an understanding of the legislative and regulatory environment, including compliance with laws and regulations related to accounting and taxes.
- Gaining an understanding of processes for ensuring compliance with employment laws, including labour legislation and regulations regarding social fees.
- Reconciling budget amounts in the financial statements against the approved budget.
- Testing, on a sample basis, that activities funded by IRC grants are not funded from other sources.

### 3. Reporting:

The auditors shall prepare and submit the following reports in English:

1. **Independent Auditors' Report:** This report will provide an opinion on the financial statements of the NRCS Headquarters and the project district specifically for the period from August 1, 2024, to July 31, 2025. The audit opinion will be expressed in accordance with International Standards on Auditing (ISAs), specifically ISA 800/805, addressing whether the financial reports of the Community Livelihood Promotion Project, as submitted to the IRC, present fairly, in all material respects, in accordance with NRCS accounting records and IRC's financial reporting requirements.
2. **Management Letter:** This letter will accompany the Independent Auditors' Report and will include observations and recommendations identified during the audit regarding:
  - The adequacy and effectiveness of the accounting systems.
  - The design and operation of internal controls.
  - Compliance with the terms and conditions of the funding agreement and relevant regulations.

#### 3.1 Any other matters the auditors deem relevant for IRCs management's attention and Management letter

Findings or observations that are not material to financial statements as a whole but considered to be of relevance to either management or the IRC must be reported in a management letter. Such findings or observations may include, but are not limited to:

- Deficiencies or weaknesses in internal control or business processes
- Lack of compliance with applicable laws or regulation
- Lack in financial capacity or financial systems
- Identified reconciliation items
- Budget overruns

The management letter must be prepared in English as part of the audit and submitted together with the audited financial statements.

The management letter shall, for each finding or observation, include:

- A description of the finding or observation with indication of severity or risk level
- Description of the effect or risk derived from the finding or observation
- Recommendations to address the finding or observation
- Management's comments to the effect or risk as well as the recommendations.

### 3.2 Reporting Process:

The auditors will follow these steps in the reporting process:

1. **Discussion of Findings:** The auditors will discuss the significant audit findings and proposed recommendations with IRC management.
2. **Draft Report Submission:** A draft of the Independent Auditors' Report and the Management Letter will be submitted to IRC management for their review and feedback.
3. **Incorporation of Management Comments:** Management's comments on the audit recommendations, as presented in the Management Letter, will be duly considered and incorporated into the final reports where appropriate.
4. **Statement on Unreceived Comments:** If management's comments are not received within a reasonable timeframe (to be agreed upon), the final Management Letter will explicitly state this.
5. **Final Report Submission:** The final Independent Auditors' Report and Management Letter will be submitted to IRC's International Programme Manager.

### 4. Access to information:

To form their opinion, the auditors will have unrestricted access to all information, explanations, accounts, records, contracts, minutes, and other documentation they deem necessary for the purpose of this audit. This includes access to personnel and premises relevant to the project. The auditors will gain a sufficient understanding of the accounting and internal control systems to assess their adequacy for preparing reliable financial reports. The auditors are bound by professional ethics to maintain strict confidentiality regarding all information obtained during the course of their work.

The auditors are responsible for conducting the audit in accordance with International Standards on Auditing (ISAs) and for forming an opinion on whether the financial reports are free from material misstatement. In fulfilling this responsibility, the auditors will, at a minimum, perform the following procedures and report on any instances of non-satisfaction:

- **Obtain Sufficient and Appropriate Audit Evidence:** Design and perform audit procedures to obtain sufficient and appropriate audit evidence to provide a reasonable basis for the audit opinion. This will include determining with reasonable confidence whether the final financial reports are free from material misstatement.
- **Evaluate Accounting Records and Documentation:** Assess whether proper accounting records and adequate supporting documentation have been maintained by NRCS for all financial transactions related to the project. This includes evaluating the reliability of information received from locations not directly visited by the auditors.
- **Verify Financial Report Consistency:** Evaluate whether the information presented in the financial reports is consistent with the underlying accounting records and other relevant data.
- **Assess Grant Agreement Compliance:** Evaluate NRCS's compliance with all terms and conditions of the Grant Agreement and its associated annexes. This includes assessing whether project assistance has been delivered in accordance with the agreed proposal, work plan, and budget.
- **Bank Reconciliation Testing:** Test the validity of bank reconciliations by agreeing balances to the corresponding bank statements and trial balance as of the specified dates.
- **Payment Verification:** Select and test payments recorded in the invoice register by agreeing them to the relevant supporting documentation (invoices, tickets, receipts, etc.).

- **Payment Validity and Budget Compliance:** Test and ensure that payments were valid, appropriately authorized, and made in accordance with the approved budget and funds allocated by the Irish Red Cross.
- **Invoice Register Reconciliation:** Verify that the total of recorded expenses agrees with the total of the invoice register.
- **Bank Balance Verification:** Confirm that the closing balance of the dedicated project bank account reconciles to the figures reported on the bank statements.
- **Reporting of Remaining Funds:** Include the remaining balance of project funds at the end of the project period in the audit report.
- **Asset and Equipment Listing:** Include a list of all assets and equipment procured under the project in the audit report.
- **Evaluation of Management Structure and Internal Controls:** Assess whether an adequate management structure, appropriate systems, and effective internal controls are in place and functioning as intended.

## 5. Time frame and Deliverables:

The anticipated schedule for this audit engagement is as follows:

- **Commencement of Audit:** July 14, 2025
- **Meetings with NRCS:** To be held shortly after the commencement of the audit with NRCS at a mutually agreed-upon location.
- **Submission of Draft Report and Management Letter:** July 31, 2025. This timeline allows IRC / NRCS a minimum of three working days to review the draft documents and prepare their comments.
- **Exit Conference:** To be held after the submission of the draft report and prior to the finalization of the audit report. The purpose of this conference is to discuss the audit findings, recommendations, and to obtain management's feedback and explanations on the issues raised.
- **Submission of Final Audit Report and Management Letter:** August 08, 2025.

The auditors are expected to make every effort to adhere to the above schedule or to complete the audit earlier if feasible. Any anticipated delays in meeting the agreed-upon timelines must be communicated to NRCS management promptly, along with the reasons for the delay, to allow for appropriate action.

## 6. Application Process

All interested tenderers must submit their tender proposal to Rebecca O' Byrne ([robyrne@redcross.ie](mailto:robyrne@redcross.ie)) on or before midnight (Nepal Time) **6<sup>th</sup> June 2025** with the subject line – [NAME OF TENDERER] - Application for Irish Red Cross Audit.

Only tenderers that are registered to carry out financial audit services and have a license from an authorised body will be considered. Bids received after the deadline shall not be considered.

The proposal should consist of:

**I. Technical Proposal (2-3 pages) that includes:**

- Organisational Profile
- Details of similar experience of similar assignments
- Proposed methodology for the delivery of services
- Proposed team composition, including qualifications and relevant experience of the audit team
- Proposed workplan with timelines for the audit
- Contact details of key persons.
- Legal Documents (VAT Certificate, Company Registration Certificate and Latest Tax Clearance Certificate)

**II. Financial Proposal (2-3 pages) should include:**

- The all-inclusive fixed total professional fees supported by a breakdown of costs
- Payment terms
- The financial proposal can be stated in Nepali Rupees (NRP)

The audit firm will be evaluated based on the technical proposal, financial proposal and general understanding of the requirements.

The award will be on the basis of the most economically advantageous tender (MEAT). This is the tender which, following assessment of the award criteria, is the most beneficial to the contracting authority and represents value for money. It may include the best price-quality ratio or instead may use lowest price alone.

Tenders will be evaluated according to the following criteria:

- |   |           |
|---|-----------|
| - Understanding of the work to be completed | 20 points |
| - Experience of tenderer                    | 25 points |
| - Proposed methodology                      | 25 points |
| - Cost                                      | 30 points |

All tenders submitted are subject to the General Terms and Conditions set out at Appendix A. A copy of these terms and conditions must be duly signed and dated by an authorized representative of the tenderer and submitted with the technical and financial proposals.

## APPENDIX A: General Terms and Conditions

1. By submitting a response, the tenderer warrants that it is:
  - lawfully licenced to operate as an auditor
  - fully tax compliant
  - fully insured for their professional audit work
  - fully compliant with all relevant legislation and applicable professional standards, including, but not limited to, legislation in the areas of employment, taxation, anti-money laundering, fraud, and insurance
2. Submissions should be sufficiently detailed and focused on the capacity of the tenderer to fulfil the role required. Non-compliance with these instructions may, at the sole discretion of the IRC, invalidate the tender submission. If a tender fails to comply in any respect with the requirements set out in these instructions, the IRC will be entitled (but will not be obliged) to:
  - Reject the relevant tender as non-compliant
  - Meet with, raise issues and/or seek clarification from the tenderer in respect of the relevant tender
  - Request that the tenderer clarify or rectify information or items which have been provided in an incorrect format
  - Waive a requirement which, in the opinion of the IRC is minor, procedural or non-material.
3. Every effort has been made to ensure this documentation contains all the necessary information for completion of tenders. If, however, clarification on the content of this document is required, tenderers should notify the IRC by emailing [robyrne@redcross.ie](mailto:robyrne@redcross.ie). Any material responses provided by the IRC in relation to queries will be made available to all participating tenderers and will form part of the tender documents.
4. During the evaluation period the IRC may invite tenderers to attend a remote verification/clarification meeting on their proposals for the purpose of elaboration, clarification and/or aiding mutual understanding. If this is the case, tenderers must ensure that the key personnel nominated for delivery of the service are able to attend the remote meeting.
5. Any conflicts of interest must be fully disclosed. Any registerable interest involving the tenderer and the IRC/NRC or employees of the IRC/NRC or their relatives must be fully disclosed and communicated immediately in writing upon such information becoming known to the tenderer. The terms “registerable interest” and “relative” shall be interpreted as per Section 2 of the Ethics in Public Office Act, 1995. Failure to disclose a conflict of interest may disqualify a tenderer.
6. IRC does not bind itself to accept the lowest or any tender. It reserves the right to reject in whole or in part any or all tenders received and to source the requirement from more than one supplier or contractor.

I have read, understood and agree that the tenderer will be bound by the general terms and conditions. I am authorised to sign on behalf of the tenderer.

Signed, for and on behalf of the tenderer:

Name:

Signature:

Role:

Date: