## **External Auditors' Terms of Reference (TORs)/Scope of Audit**

1. **Context and Objective of the Audit**

The purpose of this audit is to offer an impartial, independent evaluation and assurance of the financial statements, governance, compliance frameworks, internal controls, and risk management practices of Muslim Hands Mauritania for the fiscal year ending [January to December 2023 and January to December 2024]. The audit should ensure that financial records are accurate, evaluate the integrity and effectiveness of governance and operational processes, and ensure compliance with relevant laws, regulations, and accounting standards.

The Board of Trustees will review and approve the audit report and management letter, which will delineate the findings and recommendations.

2. **Audit Scope**

The following areas will be included in the audit scope, but they are not exhaustive:

A. **Evaluation of Governance**

* Oversight of the Board and Management
* Assess the effectiveness, duties, and responsibilities of senior management and the Board.
* Evaluate the delegation of authority, reporting structures, and decision-making processes.
* Procedures and Policies
* Examine the comprehensiveness and adherence to best practices of current governance policies, such as those regarding conflict of interest and whistleblowers.
* Evaluate adherence to policies that have been established.

B. **Frameworks for Compliance**

* Adherence to Regulations
* Ensure that all relevant laws, regulations, and contractual obligations are met.
* Identify the organization's deficiencies in its regulatory compliance strategy.
* Donor Requirements
* Assess any special conditions specified in grant agreements or contracts, as well as compliance with donor-specific requirements.

C. **Internal Control Systems**

* Financial Regulations
* Evaluate the efficacy of financial controls that pertain to payroll, accounts receivable/payable, cash management, and other critical areas.
* Evaluate the precision and comprehensiveness of accounting records.
* Operational Controls
* Evaluate the internal control mechanisms in operational areas, such as procurement, inventory management, and asset safeguarding.
* Ensure that all operational areas adhere to the policies and procedures.

D. **Financial Audit and Reporting**

* Financial Statements
* Conduct a comprehensive examination of the financial statements to guarantee that they are in accordance with Country-Specific Accounting Standards or IFRS.
* Verify the financial reporting's accuracy, reliability, and comprehensiveness.
* Comparison of Budget and Actuals
* Review variances and compare actual financial performance to the budget.
* Evaluate the financial discipline and budgetary control of management by examining the explanations for variances.

E. **Effectiveness and Compliance with Policies**

* Policy Review and Compliance Testing
* Evaluate compliance with organisational policies, which encompass financial, operational, and human resources policies.
* Assess whether the policies that are currently in place are adequate, current, and effectively communicated to the staff.

F. **Framework for Risk Management Risk Identification and Mitigation**

* Evaluate the organization's risk management framework and procedures for the identification, assessment, and mitigation of risks.
* Evaluate the efficacy of risk responses and any contingency planning measures.
* Controls for Fraud and Corruption
* Test for controls that are intended to prevent and detect fraud and corruption, such as staff awareness and training.

G. **Efficiency and Operational Processes**

* Efficiency and Effectiveness of the Process
* Evaluate the efficacy and design of critical operational processes.
* Identify any inefficiencies, process gaps, or duplication of effort that are affecting the delivery of services.
* Project and Program Management
* Evaluate the timeliness, resource allocation, and adherence to project management protocols of selected projects.

H. **Assessment of Strategy Conformity with Strategic Objectives**

* Evaluate the extent to which the NGO's strategic objectives and mission are in accordance with its financial and operational activities.
* Performance Metrics and Reporting
* Assess the organization's utilisation of metrics and key performance indicators to monitor and report on strategic advancements.

3. **Reporting Requirements**

**Audit Report**

* A comprehensive audit report detailing the methodology, findings, and audit opinion regarding the financial statements and internal controls must be prepared and presented by the external auditor.
* Assessments of compliance with accounting standards and other pertinent financial guidelines should be incorporated into the report.

**Management Letter**

* The audit findings, observations, and recommendations for improvement will be summarised in the management letter. It should be structured in accordance with the areas included in the audit scope and should include action plans and timelines for resolving any identified issues.
* The management letter will be reviewed and approved by the Board of Trustees, who will also confirm their receipt and their commitment to implementing the recommendations.

**Presentation and Exit Meeting**

* Before the audit report and management letter are finalised, the auditor will conduct an exit meeting to present the main findings and address any preliminary concerns.
* The Board of Trustees and senior management will be presented with the audit findings and recommendations in order to facilitate transparency and subsequent action.

4. **Timeline and Deliverables of the Audit**

**Commencement of Fieldwork:** 17th February 2025

**Submission of the Draft Audit Report:** [Draft Submission Date]

**Submission of the Final Report:** [Date of Final Submission]

**Board Presentation:** [Date of Presentation]

5. **Code of Conduct and Audit Standards**

The audit must be conducted in accordance with [Specify Audit Standards, e.g., International Standards on Auditing (ISA)], ensuring the utmost integrity, confidentiality, and independence.