

Terms of Reference

Project Audit

Introduction

The Samdhana Institute was established in 2003 by a group of visionary conservationists and development experts, who became the institute's first generation of Samdhana Fellows. These pioneers laid the groundwork for building networks dedicated to sharing knowledge and preserving traditional wisdom. Today, Samdhana continues its mission to support Indigenous peoples and local communities in securing recognition and equitable access to land and natural resources. Through capacity-building initiatives that prioritize women, youth, and individuals with diverse abilities, Samdhana empowers these communities to thrive and sustain their way of life.

The institute operates through self-implementing and regranting under several themes of tenure security and community-based natural resource management, capacity development, sustainable land and seascape projects, and policy support.

In 2021, Samdhana secured funding from the Norwegian Agency for Development Cooperation (NORAD) to implement a five-year project titled *Expanding Community Rights, Livelihoods Innovation, and REDD+ in Indonesia*, commonly referred to as the PERMATA Project. This initiative is a collaborative effort involving six consortium partners: Badan Registrasi Wilayah Adat (BRWA), Kitong Bisa Foundation, Kaoem Telapak, PEREMPUAN AMAN, URDI, and Rainforest Foundation Norway (RFN).

Context of this ToR

The Samdhana Institute's accounting and financial management practices are guided by its Financial Policies and Procedures. Financial statements are prepared in compliance with the Indonesian Government Accounting Standard for Non-Profit Organizations (ISAK 35). In line with these policies and donor requirements, Samdhana is required to conduct annual audits.

As the PERMATA Project enters its fourth year of implementation, an audit for its third-year activities is now necessary. To fulfil this requirement, Samdhana is seeking an independent audit firm to conduct a project-level audit.

The objective of the Project Audit

The audit objective of the PERMATA Project Project Financial Statements (PFSs) is to enable the auditor to express a professional opinion(s) on the financial position of the project within the **period of 01 January – 31 December 2024**, and on funds received as well as expenditures incurred for the relevant accounting period.

The project books of accounts provide the basis for preparing the PFSs by the Samdhana Institute and are established to reflect the financial transactions in respect of the project. The Samdhana Institute maintains adequate internal controls and supporting documentation for transactions.

Scope of the Audit

The auditor is responsible for forming and expressing an opinion on the Project Financial Statements (PFSs). The audit will be conducted in accordance with the International Standards of Auditing (ISA) to evaluate the adequacy of the PFSs and the accounting system, ensuring they provide accurate and comprehensive financial information. The auditor will assess the financial and accounting systems of Samdhana (as the lead consortium) and its consortium partners separately — BRWA, Kaoem Telapak, Kitong Bisa Foundation, and PEREMPUAN AMAN—and provide recommendations for improvement.

The consolidation report will need to be produced after the validation of each consortium member's audit report.

The audit will include the following key areas of assessment:

1. **Compliance with Accounting Principles**

The auditor will assess whether the PERMATA PFSs have been prepared in accordance with consistently applied generally accepted accounting principles. They will determine whether the PFSs provide a true and fair view of the project's operations during the period of 1 January to 31 December 2024. Any material deviations from accounting principles and their impact on the PFSs must be clearly stated.

2. **Project Financial Management Systems and Internal Controls**

The auditor will evaluate the adequacy and effectiveness of the PERMATA Project's financial management systems, including internal controls. This assessment will cover:

- The adequacy and effectiveness of accounting, financial, and operational controls, and any need for revisions.
- Compliance with established policies and procedures.
- The reliability of accounting systems, data, and financial reports.
- Methods for addressing weak controls or establishing controls where none exist.
- Verification of assets and liabilities.
- The integrity, controls, security, and effectiveness of computerized systems (if applicable).

3. **Compliance with Financing Agreements**

The auditor will assess compliance with the provisions of financing agreements, particularly those related to accounting and financial matters. This includes verifying that:

- All external funds have been used in accordance with the terms of the relevant financing agreements, ensuring they align with the intended purposes.
- Expenditures charged to the project are eligible and correctly classified under the relevant financing agreement.
- Goods and services financed have been procured in line with the financing agreement.
- All supporting documents, records, and accounts have been properly maintained for project activities.
- The designated account has been managed in accordance with the financing agreement.

4. **Contracts Administration**

The auditor will evaluate the administration of contracts, ensuring that the supervision of

contract implementation—including claims and payment obligations—has been carried out in accordance with the terms and conditions of the contracts.

5. Project Implementation and Progress

The auditor will assess whether financial and physical progress are consistent throughout the project period. This includes monitoring expenditures against physical progress to ensure the project remains under proper financial control.

6. Designated Account Reconciliation

The auditor will review reconciliation reports for the designated account, including:

- A reconciliation between project expenditures and withdrawals from the designated account.
- A reconciliation between amounts deposited into the designated account and amounts disbursed by the bank.
- A reconciliation of amounts paid from the pre-financing account and direct payments (if applicable).

Obligations

i) The Samdhana Institute

Samdhana Institute will:

- Provide the Project Financial Statements (PFSs) and all related documents.
- Supply any additional financial or organizational information requested by the auditor during the audit process.
- Ensure the availability of relevant project team members and management staff for interviews or discussions as needed.
- Pay the audit fee as stipulated in the agreement.

ii) Audit Firms

The audit firm will be responsible for the following:

- Conducting the project's external audit independently and professionally, in compliance with International Standards on Auditing (ISA).
- Performing the audit within the agreed Scope of Work.
- Maintaining the confidentiality of Samdhana Institute's financial and non-financial information at all times.
- Submitting a Project Audit Report, which includes the auditor's opinion on the project's financial statements, along with a management letter containing recommendations for improving financial management.

Independence and Auditor Qualifications

The public accounting firm must have prior experience auditing development aid programs and projects funded by both international and local donors. The firm should employ a sufficient number of

staff with appropriate professional qualifications. The firm's principal will be required to submit their curriculum vitae (CV) along with the CVs of managers, supervisors, and key personnel proposed for the audit team. These CVs must include details of the staff's auditing experience, including ongoing assignments, to demonstrate their capability and capacity to undertake the audit. Specific experience relevant to this project should also be highlighted.

Given that the audit process will involve four organizations simultaneously, the auditor must form separate teams for each organization. This approach ensures an effective and efficient audit process.

Audit Report and Management Letter

Audit Report

For Samdhana: the audit report must include the auditor's opinion on the fairness of the project's financial statements, referencing the auditor's Terms of Reference (TOR). The report should be submitted to Samdhana.

For each consortium partner: the audit report must meet the same requirements and be submitted directly to the respective partner, with a copy (cc) to Samdhana.

All reports must be submitted no later than **09 June 2025**.

Management Letter

The management letter should cover the following areas:

- An assessment of the organization's internal control system, focusing on:
 - (i) The system's effectiveness in providing timely and useful information for proper project financial management.
 - (ii) The general effectiveness of the system in safeguarding assets and resources related to the PERMATA project.
- A description of existing internal control practices, highlighting both strengths and weaknesses observed during the audit. The letter should also outline the audit procedures used to address or compensate for any identified weaknesses, along with recommendations for resolving them.
- Management's responses to the audit findings and recommendations.

The auditor may include additional information or explanations in the report, provided they are not intended as reservations. All audit reports must be submitted in English.

Proposal Submission and Requirements

The proposal should include the following:

1. Audit Firm Experience:

- Outline the firm's expertise and track record in auditing not-for-profit organizations.
- Provide details on the firm's size and any international affiliations (if applicable).

2. Key Personnel and Audit Team Qualifications:

- Include the professional qualifications and audit experience of key personnel and team members.
- 3. **References:**
 - Provide contact information for at least two organizations similar to Samdhana Institute that the firm has audited.
- Please submit your proposal by **19 March 2025 at the latest** to:
Dina Manullang
dina.manullang@samdhana.org
with copy to
Ratna Pawitra
wita@samdhana.org

Fees

- Please provide your audit fee in Indonesian Rupiah (Rp), excluding VAT.
- All costs related to preparing the proposal, conducting pre-proposal surveys, or attending meetings for verbal presentations will be borne by your company, regardless of the outcome of the solicitation process. Proposals must cover the full scope of services required.

Payment Schedule

Fees will be paid in installments as follows:

- **40%** upon signing the Engagement Letter or commencement of the audit.
- **50%** after submission of the final audit reports.
- **10%** upon acceptance of the reports by the Samdhana Institute.

Termination

The agreement may be terminated by either party with a notice period of one month.

Availability of Facilities and Right to Access

The auditor will have full and unrestricted access to all Samdhana Institute and the consortium partners' records and documents during the contract period. This includes, but is not limited to, books of accounts, legal agreements, committee meeting minutes, bank records, invoices, and contracts related to the implementation of the PERMATA Project. The auditor will also have access to all employees and consultants relevant to the project audit period under review.