



**TERMS OF REFERENCE (TOR) FOR EXTERNAL AUDIT OF  
LCN  
FINANCIAL STATEMENTS FROM OCTOBER 2013 TO  
SEPTEMBER 2014**

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## **1. Background**

The Lesotho Council of NGOs (LCN) is dedicated to offering supportive services to its members through networking, leadership, information, training, coordination and representation of their interests when dealing with Government, international NGOs, donor agencies and others

## **2. Audit Scope**

These terms of reference address the requirement for external audit of financial statements of LCN for the period from October 2013 to September 2014. A draft audit report should be submitted within two weeks from the date of commencement of the audit assignment including the day for audit briefing. The final signed audit report should be submitted within five working days after the draft report. The audited financial statements for the financial year will be made available not later than 29<sup>th</sup> October 2014.

The audit should be carried out in accordance with International Standards on Auditing (ISA). Sufficient audit evidence should be gathered to substantiate in all material respects the accuracy of financial statements. The audit report of the auditors should state if the financial statements of the Council were or not in conformity with any of the above standards including the policies of LCN. The final audit report must be reflective of the following:

- Consolidated LCN accounts
- Donor project accounts and in detailed outline of the below:

## **3. The Audit Report and Management Letter**

3.1 The audit report should clearly indicate the auditor's opinion. This would include at least the following:

- i. The introductory paragraph containing identification of the financial information audited including the period covered; statement of the responsibility of the entity's management and the responsibility of the auditor.
- ii. A scope and methodology paragraph describing the nature of the audit referencing:
  - The accounting standards that have been applied and indicate the effect of any deviations from those standards if any;
  - The audit standards that were applied;
  - The work the Auditor performed.
- iii. An opinion paragraph disclosing:
  - International Standards of Auditing (ISA) published by the International Auditing Practices Committee of the International Federation of Accountants;
  - International Organization of Supreme Audit Institutions;
  - Whether the financial statements and supporting documents of LCN fairly present the cash receipts and expenditure in all material respects and that the funds were used for the purposes defined by the LCN.
  - Whether the financial transactions reflected in the financial statements are in accordance with International Financial Reporting Standards.

- iv. Summary assessment of the efficiency of the management and internal control systems.
- v. The Auditor may expand the report to include other information and explanations not intended as a reservation. Audit reports will be provided in English language.

### **3.2 Management Letter**

The Auditors should submit a letter to the management at the completion of the audit. The issues to be covered in the letter should include:

- i. The assessment of the efficiency of the administration, management and internal control systems of LCN.
- ii. A description of any specific internal control weaknesses noted in the financial management. Recommendations to resolve/eliminate the internal control weaknesses noted should be included.
- iii. Management comments/responses to audit findings and recommendations.

## **4 Auditor Independence and Qualification**

The Auditors must be completely impartial and independent from all aspects of management or financial interests in the entity being audited. The Auditors should not, during the period covered by the audit nor during the undertaking of the audit, be employed by, serve as Director for, or have any financial or close business relationships with any senior member in the management of LCN.

The Auditors should disclose any relationship that might possibly compromise their independence.

The Auditors should be experienced in applying audit standards; The Audit Firm must employ adequate staff with appropriate professional qualifications and suitable experience in auditing the accounts of the Non-Governmental Organisations.

Curriculum vitae (CVs) should be provided to LCN by the principal of the Audit Firm who would be responsible for signing the opinion, together with the CVs of Managers, Supervisors and key personnel proposed as part of the Audit team. CVs should include details on audits carried out by the applicable staff, including ongoing assignments indicating capability and capacity to undertake the audit and experience in auditing financial statements compliant with the IFRS.

## **5 Access to Facilities and Documents**

The financial systems are automated in Pastel software accounting package, the supporting documents in the form of payment vouchers are filed manually.

The Auditors will have full and complete access at any time to all records and documents (including books of accounts, Donors agreements, minutes of Council meetings, bank records, invoices, contracts etc.) and all employees of LCN. The Auditors will have a right of access to banks and depositories, consultants, contractors and other persons or firms engaged by the program management over the period under the audit review.