



Terms of Reference (TOR)

External auditor for agreed-upon procedures over grantee partners

Annex 2: Summary of Agreed-upon procedures to be performed

1. General information

1.1 Introduction

As part of Mama Cash's commitment to our partnership with Sida, we have developed a new framework for verification of our grantee partners' (GP) financial reports that will enable us to both meet Sida requirements and continue to support the feminist groups and movements we are committed to uplifting globally.

One part of these verification procedures is engaging external audit firms to perform verification procedures, in the form of agreed-upon procedures (AUP) under the scope of ISRS4400.

1.2 Purpose

The purpose of these AUPs is to:

- Communicate our strategy to local and central audit firms, to enable the auditors to plan and conduct the audit appropriately
- Assist Mama Cash to roll out the MC commissioned audits at a local level
- Define the respective responsibilities and reporting requirements from engaged auditors, and the related deadlines, to enable achievement of our objectives in accordance with the new grant conditions.

1.3 Confirmation of your cooperation

The audit you will perform on the local partner will allow Mama Cash to meet one of its donor's requirements. We ask the auditor to confirm in writing that they will cooperate with us in conducting the Mama Cash Commissioned Audits.

1.4 Confirmation of independence and qualifications

We require you to confirm that you have the appropriate qualifications and comply with the independence requirements of the Code of Ethics for Professional Accountants issued by the IESBA. These confirmations are included in the acknowledgement to be shared under point 1.3.

2. Scope of the verification procedures

- The auditor is responsible for obtaining, via the agreed-upon procedures summarized in section 5 of this annexure, an understanding of the grantee partner's systems and processes, and for verifying that reported expenditures are supported by underlying documentation.
- The auditor shall inquire of the grantee partner in order to understand and summarize the relevant policies and procedures, including procurement, payment, and HR (hiring).
- The auditor shall inspect on a sample basis that there is supporting documentation related to reported expenditures. The samples will be made from the population of all expenditures made by the organization, i.e. it is not limited to expenditures made from funds received from Mama Cash. The examination will conclude with a factual finding (sufficient and appropriate support, insufficient and/or inappropriate support). The auditor shall report the identified amount in case there is any missing supporting documentation.
- The auditor shall inspect on a sample basis that if GP has agreements with third party organizations to which it channels part of its funds and whether GP in such a case has followed MC's audit requirements and have acted on received audit reports from these organisations.

3. Code of Conduct

Mama Cash is guided by our mission, vision and values. We seek to develop an organisational culture that reflects our transformative vision for every woman, girl, trans person and intersex person to have the power and resources to participate fully and equally in creating a peaceful, just and sustainable world.

Mama Cash has expectations of employees and representatives of Mama Cash in fulfilling their responsibilities and giving life to Mama Cash values. Mama Cash employees and representatives are expected to comply with a Code of Conduct, as well as with all applicable laws and regulations.

Please see Mama Cash Code of Conduct, available at https://www.mamacash.org/media/documents/code_of_conduct_mama_cash_feb_2020.pdf.

4. Reporting

- The reporting shall contain all necessary requirements summarized in section 30 of ISRS 4400.
- The reporting shall contain disclosure that the audit was performed in accordance with international standards and by a qualified auditor.
- The reporting shall contain confirmation that the responsible practitioners and audit firm are independent as agreed in the engagement letter.
- The reporting shall contain the responsible auditor's signature (not just the audit firm) and title.
- The reporting from the auditor shall contain the factual findings made during the agreed upon procedures. It shall, if applicable and discovered in the course of agreed-upon procedures, state which measures that have been taken by the GP as a result of previous audits and whether measures taken have been adequate to deal with reported shortcomings.
- The report will not contain an audit opinion or assurance conclusion, nor will it contain conclusions or recommendations from the auditor.

- The reporting shall be written in English and be presented in digital format to MC, within 2 weeks after the audit.

5. Agreed-upon procedures overview

The following procedures are expected to be performed by the engaged auditor. If any procedures require clarification, this should be sought from Mama Cash prior to beginning the procedures.

1. At least three weeks before the verification procedures will commence, grantee partners will share a detailed ledger of financial transactions or otherwise full financial records for the fiscal year under audit (2022).
 - a. Mama Cash has informed all selected grantee partners of their participation, and has shared with grantee partners the request list summarized in Annex 3 to this TOR.
 - b. Mama Cash will facilitate the communication of timeline and commencement date to the GP to also support timely delivery of required documentation.
2. Upon receipt of the transaction detail, auditor will select transactions for testing, as follows:
 - a. Reconcile the transactional subledger detail to the expenditures recorded in the income statement reporting for the fiscal year to confirm data is accurate and complete.
 - b. Using a random number generator or other randomized selection technique, select 25% of reported transactions for the following subheadings. Selections should be made for all expenditures made by the GP, not just those expenditures made from the funds received from MC. Once selections are made, calculate the coverage of selections compared to the total population, and confirm that selections cover a minimum of 25% of total amount reported per subheading:
 - i. Personnel costs
 - ii. Reimbursements made to employees or other affiliates
 - iii. Purchases for goods and services
 - iv. Petty cash
 - c. If selections made using random selection technique do not account for 25% of the total amount reported per subheading, select additional samples using random selection until the 25% of subheading value threshold is met or surpassed.
 - d. Using a random number generator or other randomized selection technique, select 10% of reported transactions from any remaining expenditure subheadings not included in the listing above. Selections should be made for all expenditures made by the GP, not just those expenditures made from the funds received from MC.
 - e. Filter transactions across all subheadings to identify the top 25% of transactions by monetary value. Compare all selections (i.e. those made in steps b. through d.) to this listing. Confirm that samples selected for testing include at least 25% of the reported transactions whose value is in the highest 25%.
 - f. If selections made using random selection technique do not account for 25% of the transactions whose value is in the highest 25%, select additional samples using random selection until the 25% of highest-value transactions threshold is met or surpassed.
 - g. Summarize and share selections made with grantee partner at least one week before the verification procedures will commence. Refer to step 4 of the AUP for the testing which will be performed per transaction to also understand the nature of the underlying support required for testing.
3. Arrange, with the support of Mama Cash, a commencement meeting to connect with the GP.

- a. During this meeting, perform inquiries regarding the following:
 - i. Authorization procedures for payments, purchases, and transaction recording (“procurement policy” and/or “third party payment policy”)
 - ii. Hiring policy (“HR policy”)
 - iii. Budget monitoring

*Note that GPs are aware of the expectation that the auditor will inquire regarding these policies and processes and will provide, to the extent available, their policies ahead of the inquiry meeting. However, given the size and nature of many of these organizations, these policies may not be formalized or documented. Therefore, the results of inquiries made will be summarized by the auditor and included in the final reporting.
 - b. During this meeting, obtain all supporting documentation for the selected transactions from the GP. If the GP has any comments or questions regarding the selections and/or support to be provided, they should be discussed during the commencement meeting.
4. For each expenditure selected, perform the following verification steps:
- a. Agree the amount recorded in the transaction subledger to the amount on the relevant underpinning (e.g. invoice, contract, receipt, etc.).
 - i. For expenditures related to salaries and wages, validate the amount of expenditure agrees with the employee’s employment contract
 - ii. For expenditures related to consultancy and other services performed by third parties, validate the amount of expenditure agrees with the contract with and/or invoice received from the third party vendor
 1. In addition to the selections made by the auditor, GPs have been asked to provide the underpinning for the 5 largest-value consultancy and other third party expenditures made during the period. These should be validated as described herein along with the selected samples.
 - b. Agree the amount recorded in the transaction subledger to bank statement support.
 - c. Agree the date of recording in the transaction subledger to the dates on both the underpinning and the bank statement.
 - d. Inspect the authorization for the payment. Agree the authorizer to the payment policy (or summary thereof) to validate that proper approval was in place prior to the payment being made.
 - e. All of the procedures summarized herein regarding the transactions can be performed either in the form of a live review during a (virtual) meeting or series of meetings or, based on efficiency and availability, performed remotely by the auditor based on documents provided by the grantee partner.
 - f. In case of any questions or concerns regarding the support for any transaction, these should be discussed in a (virtual) meeting with the grantee partner.
5. If the audit results in differences between transactions recorded and underlying support, the auditor will summarize these in their reporting.
- a. Mama Cash will hold responsibility for determining follow-up actions needed by the grantee partner to support their financial management.

6. Timetable and due dates

We have summarized below the approximate timetable and due dates to be adhered to. If it becomes impracticable to adhere to this timeline, you are to promptly communicate the reason for delay and expected adjusted due date to Mama Cash.

Deliverable	Due date
Proposal for engagement for one or more GPs	As soon as you have reviewed the content of these TOR, preferably no later than 20 December 2023.
Engagement letter covering all GPs for which you are the selected auditor	As soon as you have been informed you were selected as audit partner for one or more GP AUPs, preferably no later than 4 January 2024.
Factual findings report To include summary of work performed, results of inquiries of the GP, and any observations from substantive work performed.	As soon as the AUP are concluded, preferably no later than 1 March 2024.

The above due dates are based on Mama Cash's internal due dates for closing and reporting.

Annex 3: Prepared by client (PBC) request list

	Request summary	Clarification (if needed)
1	Copies of deeds of incorporation and copy of Chamber of Commerce extract	
2	Financial report (income statement and balance sheet) for 2022	Include any narrative report accompanying this reporting, if prepared
3	Full underlying administration for all financial statement line items	This can be either extract from bookkeeping software or maintained manually, e.g. in Excel
4	Subledgers (detailed breakdown) of all transactions within all expense categories	Detail should be at line item level for all recorded transactions, and the sum of all detail should reconcile to the expenses recorded in the income statement
5	Breakdown of salary expenses and personnel-related expenses	Detail should be at line item level (e.g. per employee, if available) for all recorded transactions, and the sum of all detail should reconcile to the salary expense line item in the income statement
6	For the 5 largest consultancy or other third party expenses (by monetary value), please provide the contract or statement of work and all invoices pertaining to 2022	
7	The organizational chart for the organization	
8	FTE overview as of 1-1-2022 and 31-12-2022	An FTE (full time equivalent) overview is an overview of all employees of the organization, including the number of hours per week they work
9	List of all employees with a contract, and copies of their signed employment contracts	
10	Breakdown of the cash position on the balance sheet as of 31-12-2022	Include petty cash (cash on hand) as well as amounts held in bank accounts
11	Procurement policy	A procurement policy is the organization's approach to making purchases for goods and services. If this is not written out or formalized for the organization, it can be explained during the course of an inquiry meeting.
12	Authorization procedure for approving and executing payments to third parties	This procedure should include how the organization approves payments (e.g. who is required to review payments before they are made, varying levels of approval depending on the amount of money spent, etc.) and how they are transacted. If this is not written out or formalized for the organization, it can be explained during the course of an inquiry meeting.
13	HR hiring policy	Including how the organization identifies a need for personnel, how they attract and recruit persons. If this is not written out or formalized for the organization, it can be explained during the course of an inquiry meeting.