

Berlin, 29.05.2024

Dear ....

Bread for the World is the globally active development and relief agency of the Protestant Churches in Germany. We support projects in more than 90 countries funded by donations from the German public, protestant churches and government. Key issues of our work are food security, the promotion of health and education, the access to water, the strengthening of democracy, respecting human rights, keeping peace and the integrity of creation.

Our funding guidelines from the Federal Ministry for Economic Cooperation and Development (BMZ) include a requirement for any of our Project Partners running projects including BMZ-sourced funding to be subjected to independent, external audit under the International Standards on Auditing (ISAs).

These audit requirements apply only to the financial statements of the relevant projects, although our Project Partners may choose to appoint the same auditors for both their institutional audits and their project audits. The BMZ requirements also require Project Partners to rotate project auditors at least every nine years (unless local regulations apply a shorter rotation period).

Our audit relationships are governed by a tripartite agreement to which the audit firm, the partner organization and Bread for the World are all signatories. This agreement is not a complete description of the work that will be required to comply with the ISAs. However, it sets out some minimum standards that are required by Bread for the World, including the necessity to report under ISA 800. The report must include opinions not only on the truth and fairness of the financial statements (prepared on a modified cash basis), but also on some qualitative aspects of the project partner's application of Bread for the World regulations.

We are currently updating our list of audit firms for Malawi that are willing to undertake these audits and would like to invite you to respond to the questions below. In assessing the responses, we will take into account the extent to which firms demonstrate a good understanding of the NGO sector and empathy with its objectives and issues.

### **A. Company Profile**

1. Please provide details of the professional and/or other body(ies) that regulate(s) your audit work including a copy of your registration certificate(s) or other document(s). Is your firm part of an international audit firm or a member of an international network of audit firms?
2. Where, in XXX, do you have local offices/branches that have the inhouse skills, experience and resources to undertake this type of work?

3. How many staff members do you have and what is the organizational profile (partner/director, senior, junior, other professional staff (including trainees), administrative staff? Do you have a dedicated team for audit and other work with NGO clients?
4. Describe your experience of external audit of non-governmental organizations (NGOs), especially those with support from international donors? (Including the proportion of your client portfolio, by number of clients or income, that represents work with NGOs)
5. To what extent would you expect to ensure continuity within the engagement team over a period of (usually) 3 years? Can you guarantee a single point of contact for use by both Bread for the World and the partner organization?
6. Please provide information about your firm's Continuing Professional Development (CPD). Include a description of how staff members:
  - a. learn about changes and developments in the content and application of the ISAs in relation to NGO clients and
  - b. are kept aware of general changes to the regulation of, and important issues in, the NGO sector.
7. Please describe your perception of the major issues affecting the NGO sector in XXX now. These might relate to compliance, reporting, operations, governance or any other matters.

## **B. Audit and Compliance with International Standards**

8. Please give an overview of your audit approach and describe how you ensure compliance with the IESBA Code of Ethics and ISQC1.
9. With regard to your audit methodology/system:
  - a. Do you use audit software? If you do which one (e.g. Caseware)
  - b. If you do not use software, what form does your audit system take (e.g. on paper or on spreadsheet) and how do you keep it up to date for changes in ISAs, legislation/regulation and other matters?
  - c. In either case, does it include special documentation for the NGO sector and how is it then tailored to suit the circumstances of each individual client? Please give examples of how the planning section of your audit file and how your compliance/substantive testing change for an NGO client compared with a commercial client.
10. In many cases our Project Partners ask their external auditors to prepare the financial statements that are to be the subject of the audit. What types of safeguard do you normally expect to put in place to overcome this potential threat to your independence as auditor?
11. Please describe your firm's approach to communication between your audit team and an NGO client at all levels of seniority. What is your strategy and process for agreeing management letter recommendations with your NGO clients?
12. Please describe briefly some of the ways in which your implementation of ISA 315 in the context of NGO audits is different from the audit of a commercial organization.
13. In the context of ISA 530, please describe briefly your strategy for sample testing - when and why sample testing is applied and when and why it is not applied. What sampling methods do you use? How do you decide when to use each method? How are sample sizes calculated? How do you select the individual items to be tested?
14. One very important issue for international donors is the risk of expenditure being charged to more than one source of income (double funding). In the context of a project audit, what is your approach to obtaining evidence that will demonstrate that this has or has not occurred?
15. In the context of auditing NGOs, what is your approach to identifying and auditing related party transactions?

### **C. Contractual basis with Bread for the World**

16. These project audits are bound by our own, tri-partite Audit Agreement in addition to any engagement letters your firm might issue to its clients. It will be important, that any separate engagement letter that you might issue does not conflict in any respect with this agreement. **Please confirm** that you can agree that if there were any conflict, our Audit Agreement would take precedence.
17. Our audit reporting requirement includes two opinions in addition to the usual “true and fair” opinion. These go a little further but only demand the same level of assurance; broadly that in all material respects the funds provided for the project have been used for the purposes of the project and that the terms of the funding have been complied with. Examples of our standard project documentation are attached. **Please explain** the type of procedures you would expect to adopt to allow you to provide these opinions.
18. We have very specific requirements for the form of audit report we can accept. An illustration of an acceptable report is attached. Please review this report, noting the preliminary notes. **Please confirm** that you would be happy to use this form of report. If your firm or local regulations require you to modify the wording of the report, please provide us with a copy of your suggested alternative. We would point out, however, that any alternative wording must include the three separate opinions set out in the “Opinion” paragraph of the illustration.

**Before sending your response to this letter, please make sure that ALL questions have been answered. Failure to answer all questions may exclude your firm from further participation in the selection process.**

**Please reply by XXX.** Completed questionnaires will be reviewed and firms that appear to meet our criteria will be invited to an interview (videoconference) and further on to an online training. After this training, we will finalise our reference list and successful firms will be notified.

If you have any questions about this letter, please contact me (contact details below).

**We look forward to hearing from you**

Yours sincerely

Consultancy Unit / Programme Coordination

Please send your completed questionnaire:

**If you should not be interested in a cooperation with Bread for the World, please also send a short notice.**