



**Lions Deutschland**  
Stiftung der Deutschen Lions



Lions Clubs International  
**FOUNDATION**



## Terms of Reference

### **PROVISION OF INTERNAL AUDIT SERVICES FOR IMPROVING LIVELIHOODS THROUGH THE INTRODUCTION OF SUSTAINABLE WASH PRACTICES IN RURAL COMMUNITIES OF THYOLO DISTRICT IN MALAWI**

**EG6772**

**SF ID: 2022-080**

#### **Audit services**

HFHM is requesting proposals from internationally reputable Audit firms, to undertake an audit of a project titled ***“Improving livelihoods through the introduction of sustainable WASH practices in rural communities of Thyolo District in Malawi”***. The project was funded by The [Stiftung der Deutschen Lions](#) (Lions Foundation Germany) and ran from 1<sup>st</sup> October 2022 to 30<sup>th</sup> April, 2026. The project targeted communities from 36 villages of T/A Ngolongoliwa in Thyolo District.

#### **Background**

Habitat for Humanity Malawi (HFHM), is a non-profit Christian organization aiming at improving housing conditions in Malawi. HFHM was established in Malawi in 1986 and has assisted over 75,000 families through different housing solutions. In addition to housing, HFHM has undertaken water and sanitation projects in peri-urban and rural areas of Lilongwe and rural areas of Chikwawa and Thyolo districts.

#### **Purpose and Objectives of the Project Audit**

The audit should include:

- Review of accounting records for accuracy and completeness.
- Review of the financial report, which must include all project-related revenues and expenses and confirm that supporting documentation exists for all revenues and expenses.
- Audit of the management of the project funds provided. This includes:

- project funds transferred to the project sponsor during the current fiscal year or the project period
- all interest generated during the fiscal year or the project period from the project funds transferred to the project sponsor
- revenue resulting from project activities.
- Reviewing the extent to which the funds were appropriately used in accordance with the planned project objectives and measures
- Review of the cost-effectiveness of expenditures with regard to financial resources (which must be used sparingly and as effectively as possible).
- Review of personnel costs and social security contributions with regard to local standards, the legal requirements in the respective project country, in particular compliance with contracts and the lawful remittance of the corresponding funds.
- Review of compliance with the cost plan through a target-actual comparison (based on the last valid financing plan...)
- Review of the cost-effective use of project equipment.
- Monitoring of the procured inventory, its whereabouts, and its appropriate use.
- Reviewing and confirming the completeness and accuracy of project-related documents.
- Verifying compliance with all agreements fundamental to the project (contracts, guidelines of the German private sponsor, funding guidelines of the Federal Ministry for Economic Cooperation and Development (BMZ), the BNBest-P/Private Sponsors, and the BMZ's procurement guidelines).

### **Audit Report**

The external audit report must include the following sections:

- A description of the audit engagement and scope, with detailed comments on the audit findings. The auditing body must also list and explain which documents served as the basis for verifying the appropriate use of funds and compliance with the project timeline.
- Identification of recommendations, if any objections were raised.
- Comments, if applicable, on the follow-up to audit observations from previous years.
- The latest valid version of the budget plan, structured in accordance with the numerical breakdown of the statement of expenditures. The comparison of planned and actual expenditures is presented in the currency in which the expenditures were incurred. The audit does not convert the amounts into euros.
- If the actual expenditures (actual) deviate from the planned expenditures according to the most recent approved budget (budgeted) by more than 30% of the individual budget items (top-level items in the budget), these deviations must be explained and justified separately.

- If the actual expenditures (actual) deviate from the planned expenditures according to the most recent financing plan (target) for the sub-items by more than 30%, this must be justified.
- The concluding audit opinion must include the following content (minimum requirement), which must be clearly formulated by the external auditing body and adapted as necessary:

**"We hereby certify that we have conducted an audit relating to the statement of accounts (name of the project-executing agency) regarding the financing of the (name) project. Our audit was carried out on the basis of the following requirements pertaining to the use of funding:**

*(list of relevant contracts and documents).*

We have looked at all the books and receipts/vouchers. We have inspected physical infrastructure built during the project and reviewed documents pertaining to construction, hand-over, training, events, and other activities.

Based on our audit, we confirm that:

- All income and expenditure have been properly documented by means of receipts or vouchers.
- The expenditure documented have been made in accordance with the requirements of the terms of the application and the grant approval and are in accordance with the purpose outlined in the application and in the financial plan. Any deviations from the financial plan are explicitly explained.
- The income documented, which is entered in the accounts as the contribution made by the project-executing agency, the target group and/or other entities in the country where the project is being implemented, is correctly rendered in the accounts, with the source being explained as required.
- Our inspection of outputs and review of documents demonstrated that the outputs defined by the Project Agreement have (not) been delivered (with regard to the following aspects) in accordance with the Project Agreement.
- The donor's conditions specified in the project agreement have (not) been met (with regard to the following aspects).
- Special remarks.\*\*
- Our audit led to the following conclusion:

The audit should then provide specific findings regarding the following questions:

1. To what extent are the revenues and expenditures properly supported by documentation?
2. To what extent were the documented expenditures made in accordance with the application and approval, and do they correspond to the intended purpose of the

application and the most recent financing plan? Are any deviations from the most recent financing plan explained in a separate statement?

3. To what extent are the reported revenues – which are accounted for as in-kind contributions from the local project implementer, the target group, and/or other entities in the project country – accurately stated in terms of amount, and has their origin been explained in accordance with the guidelines?
4. To what extent were the funder's requirements listed in the project agreement followed? How were these requirements addressed? In what areas were these requirements not followed, and have reasons for non-compliance been provided?
5. What notable positive or negative aspects of the project are there?

The audit report is intended to provide a clear conclusion regarding compliance with the binding terms set forth in the project contract.

### **Time Frame**

The whole audit process is expected to take a maximum of 20 working days that includes: field verification visits, office work and report writing.

### **Budget**

The consultant's budget should cover all anticipated costs to conduct the whole exercise. This should include all anticipated taxes.

The budget should be itemized and easy to follow, showing any applicable taxes separately and include budget notes.

### **Consultant Profile and Experience**

Given the nature of the task, the auditor should have skills as follows:

- The auditor must be completely impartial and independent from all aspects of management or financial interests in the entity being audited. The auditor 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 participant in the management of the entity.
- The auditor should be experienced in applying International Standards on Auditing (ISA) and International Financial Reporting Standards (IFRS). The qualification as a recognized independent auditing body, valid at the time the audit report is issued, must generally be confirmed by the German Embassy or the Malawi Accountants Board (MAB). The embassy's confirmation, a qualification certificate, or a printout of the registry entry must be submitted along with the audit report.

- The auditor must employ adequate staff with appropriate professional qualifications and suitable experience with ISAs or IFRSs, including experience in auditing the accounts of entities comparable in size and complexity to the entity being audited.
- The Proposal should also include information on audits conducted over the previous 3 years, indicating the name of the company that contracted the services. HFHM may contact one or a few of the previous companies for references.
- The offer should contain price quote made in **MWK**. The price offer should remain valid for at least 30 days to give HFHM adequate time for making procurement decisions.
- Standard HFHM contract would be suggested for signature to the most responsive to HFHM needs bidder. HFHM reserves the right to annul the tender and not to award the contract to any of the bidders. Although an attempt is made to contract for the complete package of the audit services, HFHM may at its discretion split the contract amount among different bidders.

#### **Selection process and criteria:**

- All proposals will be evaluated systematically, based on the following key criteria. The purpose of this section is to identify the firm with the interest and technical capabilities to conduct the audit, as defined in this ToR.
- Following is a prioritized list of our key evaluation criteria:
  - Quality of the methodological proposal: aspects that will help us to assess their suitability for that, which is proposed in the ToR, quality of the proposal, feasibility, etc.
  - Profile and competencies of the proposed team knowledge, experience, composition and other necessary competencies.
- Short-list Selection:
  - Firms which have demonstrated capacity to meet the selection criteria will be contacted to be notified of their selection.

Please submit your Financial and Technical proposals in separate sealed envelopes clearly headed “**Audit Services for BMZ5**”. All bids must be submitted not later than 10:00am on 16 April 2026. The bid opening shall be conducted immediately thereafter, at 10:15am, at the HFHM offices in Area 14, Lilongwe. Bidders’ representatives are welcome and encouraged to attend the bid opening session. Electronic bids will not be accepted.

For clarification or additional information, please contact [inquiries@habitat.mw](mailto:inquiries@habitat.mw).

Bids shall be deposited in the tender box located at:

The Chairperson  
Internal Procurement Committee  
Habitat for Humanity Malawi  
P.O Box 1638, Lilongwe.

Quantitative documentary proof

Statement of application of funds

BMZ/Engagement Global project number

Statement of accounts for 20 to 20

Financial statement as at

I.	Expenditure	Appropriation according to Financing Plan of ..... [date] in local currency	Actual expenditure in local currency	Deviation – as a % –
1	for investments			
1.1				
1.2				
1.3				
1.4				
2	for operating expenditure			
2.1				
2.2				
2.3				
2.4				
3	for personnel			
3.1				
3.2				
3.3				
3.4				
5	for evaluation or study			
	Project expenditure			
6	Reserve funds (appropriations only)		—	
	Total expenditure			

II.	Receipts	Budgeted receipts according to Financing Plan of ..... [date] –in local currency–	Actual receipts –in local currency–	Deviation – as a % –
1	BMZ grant and financial contribution from private executing organisation			
2	Contribution from project-executing agency, target group and/or other source in developing country			
3	Additional resources (e.g. interest, sales revenue)			
	<b>Total receipts</b>			

III.	Financial statement as at	
		– in local currency –
	Total receipts	
	Total expenditure	./.
	Balance	_____
	Overspending <sup>1</sup>	

It is confirmed that no funds were available for the financing of the project other than the receipts detailed above. It is also confirmed that all expenditure was necessary, that funds were utilised efficiently and economically and that the information given conforms with the books and vouchers.

.....  
(Place)

.....  
(Date)

.....  
(Signature and stamp)