TERMS OF REFERENCE (TOR)

Procurement of an Independent External Audit Firm

Literacy and Adult Basic Education (LABE)

These are Terms of Reference for the proposed engagement of an Audit firm for a period of 3 years financial years, to conduct statutory, entity-wide external audits of a donor-funded organisation (LABE) audits for 2026–2028-year framework.

1. **Introduction and Background**

LABE was founded in 1989 at Makerere University to provide nonformal literacy and basic education to adults including urban refugees from neighbouring countries. It is now among the largest indigenous non-governmental education organisations in Uganda. LABE is registered with the Ugandan NGO board, registration number INDR11921197NB, with headquarters in Kampala, but operating across Uganda. This mandates us to deliver interventions integrating literacy and basic education to children and adults. We do this with and through partners that include international, national and community-level Civil Society Organisations (CSOs), Government, the Private Sector, primary schools and parents.

We have built up expertise in delivering these interventions in remote and marginalised communities particularly in conflict-affected areas of Northern Uganda and West Nile. We take pride in lessons we have gained such as engaging with marginalised communities in ways that encourage community ownership and participation, and simultaneously how to work alongside national and local level government structures. This methodology is one of collaborative and mutual respect and it focuses on capacity development of both local government and community interventions simultaneously.

1.1 LABE's nature of Business

LABE is an indigenous Ugandan NGO working to improve access to literacy, basic education and early childhood development for children, adults and families, particularly in remote, marginalised and conflict-affected communities. Through its Family Basic Education (FABE) approach and Home Learning Centres (HLCs), LABE connects formal, non-formal and informal learning and supports safe, accessible and community-owned learning spaces. To date, LABE has supported 68 Home Learning Centres and reached over 2,976 pre- school children and 1,482 parents across seven districts: Gulu, Nwoya, Adjumani, Obongi, Yumbe, Koboko and Terego. At these learning centres, LABE supports community mobilisation, training of educators and management committees, logistical support for the establishment and operation of the centres, and other activities necessary to facilitate effective learning and centre operations.

1.2 About the Audit

LABE is required to obtain an independent external auditor of its financial statements (and, where applicable, project-specific accounts) in line with:

- Applicable national laws and NGO regulations
- Donor grant/funding agreements and reporting requirements
- International Standards on Auditing (ISA)
- Good governance and accountability practice

LABE therefore invites qualified, independent audit firms to submit technical and financial proposals for the provision of external audit services.

2. Purpose and Objectives of the Assignment

The overall purpose is to obtain an independent professional opinion on whether LABE's annual financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows for the period under review, in accordance with the applicable financial reporting framework. LABE runs the <u>January to December annual financial year.</u>

Specific objectives:

1. Express an independent audit opinion on the organizational (and, if required, project-specific) financial statements.
2. Confirm that funds received from donors and other sources were used for intended purposes and in accordance with approved budgets, grant agreements, and LABE policies.
3. Assess the adequacy of internal controls over financial management, procurement, payroll, cash and bank, assets, and donor reporting.
4. Identify material weaknesses, ineligible expenditure, non-compliance, and risks of fraud or irregularity.
5. Issue a Management Letter with practical, prioritized recommendations.
6. Support accountability to the Board, donors, regulators, and communities served.

3. Scope of Work

3.1 The audit shall cover the financial periods for example 1st January 2026 – 31st December 2026 unless otherwise specified by LABE and shall include, as applicable financial statements and books of accounts

- Statement of financial position
- Statement of income and expenditure / activities
- Statement of changes in funds
- Statement of cash flows
- Notes to the financial statements
- Project / donor fund accountability statements (FAS) where required
- Trial balance, general ledger, journals, bank reconciliations, and supporting vouchers

3.2 Compliance and use of funds

- Compliance with grant/financing agreements, approved budgets, and donor eligibility rules.
- Compliance with LABE finance, procurement, HR, assets and all other regulatory policies.
- Compliance with applicable national tax, NGO, labour, and accounting requirements.
- Proper recording and reporting of restricted vs unrestricted funds.
- Sub-grants, implementing partners, or community-level disbursements (e.g., VSLA/start-up support, training allowances, field operations), if material

3.3 Internal controls and systems

- Control environment and segregation of duties
- Cash and bank management
- Procurement and contract management
- Payroll and staff advances
- Fleet management and fuel consumption
- Fixed assets register and physical verification (sample)
- Budget vs actual monitoring and variance explanations
- Donor reporting processes and supporting documentation

3.4 Additional procedures (if specified in the contract)

- Agreed-upon procedures under ISRS 4400 for selected donor reports
- Limited procurement or compliance review
- Follow-up of prior-year audit recommendations

The auditor shall have unrestricted access to all books of accounts, records, bank confirmations, contracts, Board minutes, donor agreements, and relevant staff. Field visits to selected project sites may be required where material expenditure is incurred outside headquarters.

The audit shall be conducted in accordance with International Standards on Auditing (ISA) issued by the IAASB. Where a special-purpose framework applies to a donor project, ISA 800/805 shall be used as appropriate.

4. Deliverables The firm shall submit:

Deliverable	**Description**	**Deadline**
Audit firm profile, technical and budget proposal	Understanding of TORs, risk assessment, materiality, team, work plan and budget,	25th September, 2026
Contractual documents	Signing the contract with LABE	12th October, 2026
Draft audited financial statements and draft auditor's report for the interim covering January-Sept 2026	For management review and correction of factual errors	7th Dec, 2026
Draft comprehensive Audit report (Management letter and statements and field report) covering January-Dec 2026 to the BoD	Signed opinion on the financial statements and Management Letter	By 22nd February 2027
Presenting the audit report to the BoD	Briefing to management and, if requested, Finance/Audit Committee or Board	26th February, 2027

Note: *Where the donors or LABE management require access to the audit working papers, the appointed audit firm should be prepared to provide access upon request, subject to applicable professional and confidentiality requirements.*

All reports shall be in English. The auditor's report shall be signed by the engagement partner (not only the firm name with accredited in Uganda) and shall state the partner's professional title and accreditation/registration number.

5. Duration and Location

- Proposed start: October 2026 (Interim), February 2027 (Final Audit)
- Fieldwork and Desk review of documents at primarily at LABE Headquarters at the address below:

  Kiggundu Mittala Road, Block 220 Plot 1527, Banda, Kampala
  P.O. Box 16176, Kampala, Uganda

- Also visits to LABE field offices in the mentioned districts will be expected
- Completion of final signed report: **27th February 2027**
- Proposed Term: The appointment shall be for a term of three (3) years and shall be non-renewable. However, the contract may be terminated before the expiry of the term where performance is deemed unsatisfactory, in accordance with the applicable contractual termination provisions.

6. Qualifications of the Audit Firm and Team

6.1 The firm must:

- Be legally registered and licensed to practice as an audit firm in Uganda.
- Be registered with the Institute of Certified Public Accountants of Uganda (ICPAU) or equivalent recognized professional body but with accreditation of ICPAU.
- Have partners holding current practicing certificates.
- Have at least ten (10) years of relevant audit experience, including NGOs/INGOs and donor-funded projects.
- Demonstrate experience with ISA, IFRS or the applicable reporting framework, and donor compliance (foundations, bilateral donors, etc.)
- Have no conflict of interest with LABE staff, its Board, management, or major donors
- Maintain professional indemnity insurance.

6.2 Engagement team (minimum)

- Engagement Partner: CPA/ACCA or equivalent; minimum 5-8years' audit experience; NGO/donor-project experience will be seriously reviewed.
- Audit Manager: CPA/ACCA or equivalent; minimum 5–8 years' experience
- Sufficient qualified staff to complete the assignment on time
- Team members fluent in English. Firms should disclose any relationship that could compromise independence.

7. Proposal Submission Requirements

Interested firms shall submit separate technical and financial proposals in one sealed envelope, clearly labelled, and deliver them to the LABE Reception for registration.

Technical proposal

- Firm profile and legal/registration documents (certificate of incorporation, ICPAU registration, practicing certificates, tax clearance)
- Critical Understanding of the TOR and any proposed adaptations
- Proposed methodology, risk approach, and work plan (including staff-days)
- Team composition, roles, and CVs
- At least three (3) similar assignments in the last five years (client, period, scope, budget range, and contactable reference)
- Sample anonymized audit opinion and management letter (if permitted)
- Declaration of independence and absence of conflict of interest

Financial proposal

- All-inclusive professional fees in UGX: Uganda Shillings
- Breakdown: partner/manager/staff days and rates, travel, per diems, taxes (VAT if applicable)
- Validity period of the quote (recommended 30 days)
- Payment schedule proposed

Submission:
Email: jackie@labeuganda.org

Mode of submission: Zipped documents sent via email.

Deadline: 25th September 2026: Late or incomplete proposals will be rejected. LABE will only contact the best 3 selected firms for follow up discussions.

8. Evaluation Criteria

Proposals will be evaluated strictly on quality and cost. A typical weighting is 70–80% technical / 20–30% financial. Only firms meeting mandatory eligibility will be scored.

Indicative technical scoring:

Criterion	Weight
Firm experience with NGOs and donor-funded education/literacy or similar social programmes	25

Quality of methodology, work plan, and understanding of LABE's operating context	25
Qualifications and relevant experience of proposed team	25
Independence, quality control, and professional standing	15
References and sample work	10
Total technical	100

Financial scores are computed among technically qualified firms (commonly those scoring at least 70/100). LABE reserves the right to negotiate, request clarifications, or cancel the process. LABE is not bound to accept the lowest bid.

9. Governance, Confidentiality, and Ethics

- The auditor reports to LABE management and, through management, to the Board / Finance or Audit Committee.
- All information obtained is confidential and may be used only for the audit.
- The firm shall comply with ICPAU / IFAC ethical requirements and anti-fraud, anti-corruption, and safeguarding standards.
- Suspected fraud or serious irregularity shall be reported promptly to designated LABE management.

10. Contract and Payment

- A service contract will be signed with the selected firm.
- Typical payment schedule:
  - **40%** on approval of the inception/planning memorandum
  - **60%** on submission of approved report
- Payments are subject to withholding tax as applicable.

11. Clarifications

Requests for clarification regarding the funding portfolio and donor partnerships can be submitted in writing to jackie@labeuganda.org no later than **11th September 2026**.