

**Buusaa Gonofaa Microfinance S.C
External Auditing Service
Invitation for Proposal and Term of Reference**

INTRODUCTION

Buusaa Gonofaa Microfinance Share Company (BG) solicits proposals for professional auditing services from qualified audit firms. Prospective Bidders are invited to submit the technical and financial proposals to undertake financial statement audit of the Company. The proposal will be used as a basis for negotiation of a three years' audit service starting from the financial period 2024/25 to 2026/27.

A Bidder shall submit proposal for three (3) years audit service to be conducted on annual basis starting from the Fiscal year 2024/25. The prospective bidder should offer audit service fees quotation separately for the audit of each year's financial statements. BG will commission the winner audit firm to conduct the audit of its financial statement for three years (2024/25-2026/27) and the audit service for each period of the contract period will be conducted at the same terms and conditions as stated in the original proposal, unless the situation demands changes to the terms and condition of the original proposal which mutually accepted by both parties.

The Bidder shall bear any and all costs of preparing a proposal and/or conducting pre-proposal surveys, inquiries or any meetings for oral presentations, regardless of the conduct of the bid solicitation process and its final outcomes.

The prospective Bidder selected to perform an audit of the Company's financial statements will perform its audit assignment in accordance with the terms and conditions contained in this invitation for proposal.

Bid Submission Requirements, Deadline and Bid Opening

Proposals will be opened in the presence of the bid evaluation committee the Company appoints for this purpose. Proposals opened will not be returned to the Bidder.

All proposals submitted in response to this invitation for bid shall remain valid and open for acceptance for a period of **ninety (90)** calendar days after the due date specified for receipt of proposals. The company reserves the right to extend the bid period if deemed necessary.

The time frame for commencement of the audit work, the delivery of draft audit report and formal presentation of the final Audit Report to BG shall be decided upon the award of the audit engagement.

Tentative Time Schedule or Calendar

The Company has a tentative schedule or calendar that shows important milestones in relation to the external auditing service, starting from the issuance of invitation for proposals to deadlines for receipt of proposal up to contract awarding and receipt of the final Auditor's reports. (This schedule is meant to serve as a general guide and is subject to change as deemed necessary.):

- Request for proposal issued 28th September, 2024



• Due date for receipt of proposal	31 st October, 2024
• Proposal evaluation/negotiation	10 th November ,2024
• Selection/contract award	30 th November , 2024
• Start of audit work	within 60 days of the end of each fiscal year
• Completion of audit work	within 120 days of the end of each fiscal year

OBJECTIVE AND SCOPE OF EXTERNAL AUDIT

The objective of the external audit of BG's financial statements is to enable the Auditor to express a professional opinion on the financial position of BG at the end of the fiscal year under audit, and the results of operations and cash flows for the same periods. The audit will be carried out in accordance with International Standards on Auditing and in compliance with applicable local laws and standards, if any.

A. SCOPE OF THE AUDIT AND WORK EFFORT

1. The auditor will conduct an examination of BG's financial statements with scope sufficient to allow the Auditor to express its opinion that the financial statements are prepared in accordance with the **International Financial reporting standard (IFRS)**, consistently applied, and present fairly the financial position of the company at the end of the fiscal year under audit, and the results of operations and cash flows for the same periods. **The auditor also expected to express opinion on compliance to IFRS as per the requirement of Auditing and Accounting board of Ethiopia (AABE).**
2. The auditor is expected to provide reasonable assurance that the financial statements, as of June 30 of every year, submitted to the National Bank of Ethiopia have been prepared in accordance with the relevant regulatory requirements, among others and if not provide opinion on the matter.
3. The auditor will prepare independent Auditor's report on compliance and internal control over financial reporting based on an audit of the financial statements of the Company; this will include performing such tests and controls as the auditor considers necessary under the circumstance.
4. The auditor is expected to pay special attention to key account balances, particularly the loan portfolio and loan loss provisions, cash and equivalents, borrowings, donated equity and loan fund balances.
5. As part of the audit process, the auditor will visit a representative number of branches each year so that at least 50% of the current 37 branches of BG will be visited within three (3) years' time of the auditing service. It is expected that the auditor will plan the visits in branches that were not recently visited by firm of external auditors as part of the annual audit work and/or by on-site supervision team of the National Bank of Ethiopia.
6. For the purpose of testing, the auditor will visit a representative number of clients, at least in those branches visited during each annual audit.
7. The external auditor shall start work on the examination of books and accounts of BG upon direction from the management of BG. The audit work shall ordinarily begin within ninety (60) days from the end of the Company's fiscal year.
8. The auditor will participate in year-end inventory count of the Company at the end of the fiscal year as scheduled by management.



9. The above-defined scope does not in any way restrict the audit procedures or the techniques that the auditor may wish to use in forming an opinion on the Financial Statements being audited.

B. DELIVERABLES

The selected bidder or external Auditor will deliver the following upon completion of the annual audit work

1. Provide Draft Audit Report to the Company two weeks before completion of the audit assignment for the review and comment by the Company, and incorporate same.
2. Provide an opinion on the Company's financial position, results from operations and cash flow statement in accordance with the International Standards of Auditing.
3. Hold entry and an exit conference with representatives of the Company to discuss the audit findings, statements and report and to obtain feedback from the Company.
4. Present the Audit Report to the annual general meeting of BG's shareholders as and when such meeting is scheduled by the Company.
5. Provide ten (5) original copies of the "Audited Financial Statement" and ten (5) original copies of the "Management Letter" to the Company upon completion of the annual audit. The Management Letter, among others, shall contain:
 - Comments and observations on the accounting records, systems and controls that were examined during the course of the audit;
 - Specific deficiencies and areas of weakness in systems and controls and make recommendations for improvement;
 - Matters that have come to their attention during the audit which might have a significant impact on sustainability;
 - Areas of risk that need to be flagged out to management;
 - Any other matters that the auditors consider pertinent to be brought to the attention of the management.
6. Provide electronic copy in PDF format of both the "Audited Financial Statement" and "Management Letter" to the Company upon completion of the annual audit.

C. FINANCIAL STATEMENTS

The Company prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS). The Financial Statements to be audited, among others, include:

- Statement of Profit and Loss and other comprehensive income
- Statement of Financial Position;
- Statement of changes in equity
- A Statement of Cash Flow;

D. PROPOSAL REQUIREMENTS

- *Pre-proposal Survey and Presentation*

Prospective bidders shall conduct a pre-proposal survey at their own cost. The prospective audit firm can send its team to the head office of BG for reviewing the key systems and processes, as



well as a visit to one or more branches as deemed necessary to prepare its proposal. The impressions and findings from such a survey should be incorporated into the audit proposal.

Qualified Bidders shall make themselves available at the premises of BG as deemed necessary, for presentation of their proposals, responding to questions and clarifications when so required by the Company.

- ***Proposal Submission Format***

Prospective bidders are required to submit their proposals in two separate envelopes:

- 1) “***Technical Proposal – BGMF S.C Audit***”, which consists of an original copy of the technical proposal and other required documentations in a sealed envelope
- 2) “***Financial Proposal – BGMF S.C Audit***”, which consists of an original copy of the separate financial proposal for audit service of the three years audit in a sealed envelop. It is not acceptable to submit proposals by email or fax, or telephone; any such proposal will not be considered.

- ***Content of Technical Proposal***

All bidders are required to prepare and submit in writing a simple and concise ***technical*** proposal that clearly explains their capabilities to satisfy the requirements of this invitation for bid. Such proposal shall serve as basis for the Company to properly evaluate the Bidder’s capabilities to provide the required services.

The technical proposal may not exceed ten (10) pages excluding attachments such as exhibits and resumes. It is expected to incorporate the following information and must be organized in to four sections as indicated below.

1. ***Understanding of the work.***

Demonstrate understanding of the financial industry, the microfinance institutions (MFIs), understanding of Buusaa Gonofaa MF S.C, and the nature of the work.

2. ***Audit approach.***

Describe the proposed audit approach, organization of the audit team, timing of tasks, quality control procedures, typical assistance or support expected from BG, etc.;

3. ***Audit team.***

Identification of the key personnel to be assigned for this audit work. For each member of the audit team, describe roles in the engagement, provide in a separate ***attachment*** brief summary of education and qualification, work experience, microfinance experience. Describe that the proposed audit team members have adequate knowledge, understanding and training with regards to fair value estimation and are able to check the robustness of the process. **Complete the audit team members’ independence declaration and audit members’ fit and proper test form annexed to this TOR.**



4. Firm experience.

Description of the firm – legal nature or status (sole, partnership), age of the firm, experience of its principals, total number of auditors, number of licensed or chartered auditors and experience;

- *Microfinance experiences* – describe the firm's familiarity with operations of MFIs and/or experience with the audits of microfinance institutions.
- *Industry experience* – describe experience of the firm with audits of financial institutions or commercial lending institutions.
- *Independence of the firm* – State whether any of the individuals listed above (or their spouses or close relatives) are employed by BG, or serve as a Director of BG, or have any shareholding interest or financial or business relationship with BG; if so, provide details.
- *Audit standards and procedures* – State whether the firm adheres to International Auditing Standards (IAS); how the firm's audit procedures and methods ensure that these standards and methods are followed. State whether the firm's audit procedures and methods are recorded in manuals or similar document. State briefly how employees are supervised. State briefly the internal procedures used to ensure high quality work and services.
- *Audit practice reference list* – provide a list of the firm's main clients in audit services (mainly MFIs, banks, and non-profit organization or NGOs) in the last 3-5 years.

5. Time frame.

Tentative time for completing the audit; the approximate date the audit will begin and end, as well as approximate dates for delivery of the final Auditor's reports.

- *Content of Financial Proposal*

The prospective Bidder is required to submit, separately, a financial proposal for this engagement under separate cover. **The audit service fees should be provided separately for each year of the three years that the audit service is expected to cover (2024/25-2026/27).** The fees to be submitted will be a fixed price or lump sum amount that should be paid for the auditing services as stated in this invitation for proposal. The total fee payable by BG under this Bid is expected to include **all costs of the auditor including all government taxes, per diem charges for personnel and expenses (travel, meals, etc.).**

It is anticipated that separate fee should be mutually negotiated and agreed upon by both parties in the event that the Bidder is required by BG to perform additional work outside the original scope of the invitation for proposal and/or Contract.

E. LETTER OF ENGAGEMENT

A formal letter of engagement specifying the scope of audit shall be prepared and signed between the management and the auditor prior to the beginning of the assignment. The letter of engagement shall also clearly spell out the responsibilities of the two parties.

F. PROPOSAL EVALUATION AND CONTRACT AWARDING

Each proposal will be evaluated on the basis of all of its contents and a contract will be awarded to the responsible Bidder whose proposal is, in the opinion of BG, determined to be most



advantageous to the Company, when all factors are considered. A Bidder must meet all mandatory elements listed below to be acceptable for consideration.

a) Mandatory Elements

1. The audit firm is independent and legally recognized to practice auditing in Ethiopia;
2. Professional requirement – the firm and/or its principals are authorized auditors with certificate of professional competence from the Auditor General;
3. The firm and/or its principals must have at least 3 years of professional auditing service experience after being licensed by the Auditing and Accounting board of Ethiopia (AABE).
4. The audit firm adheres to the instructions in BG's Invitation for Proposal (IfP) on preparing and submitting the audit proposal.

b) Technical Qualifications

1. General firm experience – age of firm and/or experience of its principals; total number and qualification of audit staffs; number and experience of licensed/chartered auditors;
2. Industry experience of the firm – microfinance experience; experience in financial industry or banks and development organization (NGO);
3. Audit team – size and composition, education qualification and relevant experience;
4. Audit understanding and approach
5. Tentative schedule for completing audit
6. Total cost of the audit service

The auditor should explicitly indicate the total cost of the audit service for each financial period of the three years audit service, including perdiem for field travel. It needs also to clearly indicate whether the proposed audit fee is including vat.

c) Evaluation and Selection of Technical Proposal

The Finance Manager shall form an Evaluation Committee that will assess the merit of technical proposals. The committee will evaluate and classify the technical proposals in the rank order of their *quality*, based on the following factors in increasing order of importance.

- i. General background and experience of the firm and its principals in the business;
- ii. Industry experience of the firm and/or its principal(s), including Bidder's and principal's prior experience in general auditing, auditing of financial institutions, MFIs;
- iii. Audit team to be assigned for the audit work and their size, composition, education qualification and relevant experience,
- iv. Audit understanding and approach; and
- v. Tentative schedule of the audit work and ability to meet deadline of the Company.

d) The Selection Process

Auditing is a professional service and thus the final selection will be made through a process of multi-step competitive negotiation; the selection will be a combined result of a sealed competitive bidding and negotiation with prospective auditors. The Company shall engage in individual discussions with two or more Bidders that are considered to be fully qualified, and suitable on the basis of their technical and financial proposals. Discussions will focus on elaborating Bidder's qualifications, performance data, audit approach, staff expertise pertinent to



microfinance audit as well as cost of the audit. However, BG has no obligation to engage in discussions with any or all Bidders.

On the basis of the selection criteria and all information generated from the discussions, negotiation shall be conducted with a Bidder considered to be most meritorious, beginning with the offeror/Bidder that is ranked first or relatively best.

If a contract which would be satisfactory and advantageous to BG can be negotiated at a price considered to be fair and reasonable, then the contract shall be awarded to that Bidder. Otherwise, negotiations will be conducted with the next best Bidder, and so on until a contract can be negotiated at a fair and reasonable price.

e) Payment of Fees

The Company shall ordinarily effect payment of the auditing service fee as soon as the audit engagement is completed as per the conditions contained in this invitation for proposal. Payment will be made when it is approved by the Company's Board of Directors; this will ordinarily be after presentation of the Auditor's Report to the general annual meeting of the shareholders through the Board of Directors, as and when it is organized by the Company.

G. OTHER MATTERS

Cancellation/Rejection of Invitation for Proposals

The Company reserves the right to cancel this invitation for proposal (IfP) or reissue another invitation at any time prior to contract award. The Company also reserves the rights to accept or reject, in whole or in part, any and all bids received in response to this IfP, and to waive or permit adjustment of minor irregularities in any manner necessary to serve the best interest of BG. The Company may, at its discretion, extend the deadline for submission of proposals.

Bidders will submit in their proposal all information requested in this IfP. Bidders must make their offers for the delivery of total requirements of the service. Failure to submit all requested information could result in the rejection of the proposal.

Questions and Pre-Bid Inquiries

Questions and pre-bid inquiries are accepted from prospective Bidders in regard of the external auditing services, including the data requirements necessary to perform the audit work. Such questions should be submitted in a timely manner to the Finance Manager (FM) only, preferably through emails, but also by phone, mail or fax. The FM will decide whether an answer can be given before the closing date, based on the availability of time to research and communicate an answer.

Copyright and Report Use

Nothing developed or produced, in whole or in part, by the Bidder under this contract shall be subject of an application for copyright by or on behalf of the bidder. The Company and its partners may post the audited financial statements and the Auditor's Report on their respective websites.



Conflict of Interest

Contractor warrants that presently there is no interest and contractor shall not acquire any interest directly or indirectly which would conflict in any manner or degree with the performance of services required under this request.

Default and Excusable Delay

In case of failure to deliver the services in accordance with the contract terms and conditions, the Company may procure same from other sources and hold the Bidder or auditor responsible for any resulting additional costs of the purchase and administrative costs. This remedy shall be in addition to any other remedies which the Company may have.

The Company shall not be considered in default by reason of any failure in performance of the audit agreement in accordance with the terms if such failure arises out of causes beyond the reasonable control and without the fault or negligence of BG, such as, acts of God, public unrest, fires, floods, epidemics, strikes, etc.

Interested and qualified audit firms are invited to submit separate technical and financial proposals on or before 31 October 2024 up to 5:00 pm to the following address:

Address:

Buusaa Gonofaa Microfinance S.C
Kolfe Keranio Sub-city, Woreda 03
Debrezeyit Road, Betesaida Building, 5th floor
Addis Ababa, Ethiopia Tele-251 114162621 / 0912017087





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Annex I: External Audit Team Member's Independence Confirmations Form¹

This is a confirmation of independence and compliance with ethical requirements provided in respect of the audit of the financial statements of _____ Microfinance Institution S.C. for the financial year ended _____

I confirm that I am in compliance with the applicable independence rules as specified below, with respect to _____ Microfinance Institution S.C.; hereafter referred to us "a client", in addition to the requirement of the International Ethical Requirements for external auditors.

- 1) I or my immediate family members do not have a financial interest in a joint venture or business relationship (or commitment to do so) with the client or any related entity or any chief executive officer, senior executive officer, director or other individual who performs senior managerial functions for this client thereof.
- 2) I or my immediate family members are not the beneficiaries of any estate or trust which has a direct financial interest in this audit client or any related business entity.
- 3) No close family member is a director, chief executive officer, senior executive officer or is in a position to exert direct and significant influence over the financial statements of this client or any related entity, or was employed in such a role.
- 4) I or my immediate family members including spouse and dependents do not have a direct or indirect financial interest in this audit client or any related entity.

¹ This form should be completed at the engagement planning stage by each of the audit team members





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- 5) I or my immediate family members have not served as a trustee or as an executor over any interest that has or is committed to acquire a direct or material indirect financial interest in this client or any related entity.
- 6) I or my immediate family members do not have any loans, other than those extended under arms length basis and within the ordinary course of business with this client or any related entity or any shareholder, chief executive officer, senior executive officer or director thereof.
- 7) I do not have a close personal relationship with a director, executive officer or any employee of the client or related entity that is in a position to exert direct and significant influence over the financial statements.
- 8) I am not an employee of this client or any related party and I will not entertain an offer of employment with this client or a related entity during my office term.
- 9) I further confirm that if the above circumstances change during the engagement period, I will notify the audit manager or the client any such changes in a timely manner.
- 10) I signed under the table below that I am in compliance with independence rules listed from No.1 to 9 hereinabove and I will comply with independence rule No. 9, hereinabove. Otherwise, I will be legally responsible.





NATIONAL BANK OF ETHIOPIA

No.	Name of Engagement Team Member	Designation/Engagement Role	Signature
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Annex II: External Audit Team Members' Fit and Proper Declaration Form

Name of the audit firm: _____

Name of the audit team member: _____

Engagement Role: _____

Specific Tests to Assess Fit and Proper Criteria

Please answer "YES"/"NO" questions and sign accordingly.

No	Items	Yes	No
1.	Have you been insolvent or declared bankrupt by a court?		
2.	Have you been convicted by the court for any criminal offence, fraud/forgery, financial crime or other illegal activities?		
3.	Have you been a defaulter of any Microfinance Institution or other financial institution?		
4.	Have you been a defaulter of any tax?		
5.	Have you ever been subject to any proceeding of a disciplinary or criminal nature, or notified of any impending proceedings or of any investigation, which might lead to such proceedings?		
6.	Have you, or any business in which you have had controlling interest or have exercised significant influence, been investigated, suspended or criticized by a regulatory or professional body, a court, whether publicly or privately?		





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No	Items	Yes	No
7.	Have you ever been associated, in ownership or management capacity, with a company, partnership or other business association whose license revoked, withdrawn or terminated?		
8.	Have you ever contravened any of the requirements and standards of a regulatory body, professional body, government or its agencies?		
9.	Have you ever been a director, partner, or otherwise involved in the management, of a business that has gone into receivership, insolvency or liquidation while you have been connected with that business or within one year after that connection?		
10.	Have you ever been dismissed, asked to resign or resigned, from employment or from a position of trust, fiduciary appointment or similar for negligence, incompetence or mismanagement?		
11.	Have you ever been disqualified from acting as director or serving in a managerial capacity?		
12.	Have you ever been diagnosed as being mentally ill or unstable?		
13.	Do you have reasons to believe that any of your close relatives or business associates, if subject to the above tests, would have responded as "Yes" to any of the above questions?		

I hereby declare that to the best of my knowledge and belief the statements made and the information supplied in this questionnaire hereinabove and the attachments are correct and that there are no other facts that are relevant for assessing my fitness and propriety;

