SOS Children's Villages Nepal

Terms of Reference (TOR) for Internal Auditor – 2026

1. Background:

SOS Children's Villages Nepal is a not-for-profit social organisation that primarily works for the best interests of children who have lost parental care or are at risk of losing it. It contributes to provide basic rights in accordance with fundamental human rights principles and instruments such as the United Nations Guidelines on Alternative Care, the United Nations Convention on the Rights of the Child, and prevailing national law.

The organisation operates a range of alternative care services, including family-like care, kinship care and small group homes. It also runs schools and training centres. Through its family strengthening programmes, it supports children and families by ensuring access to education, health, nutrition, hygiene and income-generating activities, which are fundamental to preventing family separation. SOS Children's Villages Nepal also actively advocates for the rights of children and young people across the country and provides emergency relief services when needed.

To comply with national laws, funding agreements, and strengthen internal control systems, SOS CV Nepal is required to appoint a reputable firm to conduct an internal audit for the financial year 2026 and provide the required reports.

2. Internal audit framework

The Internal Audit shall be conducted in accordance with the following frameworks, standards and regulations:

a. Accounting and financial reporting framework

- Generally Accepted Accounting Principles (GAAP) prevailing in Nepal
- Nepal Accounting Standards for Non-Profit Organization (NAS for NPOs) issued by the Institute of Chartered Accountants of Nepal (ICAN)
- Relevant International Accounting Standards (IAS) / International Financial Reporting Standards (IFRS), where applicable

b. Legal and regulatory framework

- All laws, rules, regulations, directives and circulars prevailing in Nepal during the audit period
- Statutory requirements issued by relevant regulatory and oversight authorities

c. Organizational governance framework

- The Constitution, policies, rules, manuals, and procedures of SOS Children's Villages Nepal (SOS CV Nepal).
- Decisions, resolutions and directives issued by the Executive Committee and other governing bodies.

d. Taxation and sector-specific laws

- Income Tax Act 2058 (including amendments) including rules and directives issued thereunder.
- Education Act and related regulations wherever applicable.

The Internal Audit shall assess compliance with the above frameworks and evaluate the adequacy and effectiveness of internal controls, governance and risk management processes.

3. Objective of assignment

The internal audit aims to:

- Evaluate and enhance the efficiency and effectiveness of governance practices.
- Assess and improve the efficiency and effectiveness of the internal control system (including the control environment, risk management, control activities, monitoring mechanisms) at both the entity and process levels, as well as controls that prevent management override.
- Evaluate the appropriateness of expenditure through cost-benefit analysis, ensuring not only that expenses are properly authorized, but also that they are necessary, justified, and economical.
- Assess compliance with internal audit frameworks and ensure adherence to established standards and procedures.
- Provide recommendations to strengthen the management and governance of SOS Children's Villages Nepal, based on the findings from the above assessments.

4. Scope of work and reporting

A. Scope of work

The audit shall cover:

a. All governance functions as defined in the Statute of SOS Children's Villages Nepal.

b. All management functions of SOS Children's Villages Nepal, including but not limited to:

- **Financial functions**
    - Annual budgetary control
    - Grants and funding/ Local sponsorship fund
    - Operational income (School fee)
    - Funds and bank balance
    - Bank reconciliation Statements
    - Accounts payable
    - Accounts receivable
    - Disbursements
    - Petty cash transactions
    - Advance
    - Procurement process
    - Assets management
    - CMG fund management

- Management of other specific fund of the organisation

- **Human Resource**
- **Programme functions**

Other key areas

a) To cover all projects and operations of SOS Children's Villages Nepal, including all Standard Projects, Grants Projects, Humanitarian Projects and the National Office.

b) To identify key risks facing the organisation and evaluate the adequacy and effectiveness of existing risk mitigation measures and internal control systems.

c) To develop and prioritise the audit strategy and plan by categorising risks as high, medium, or low, based on their potential severity and impact on the organisation.

d) To assess the adequacy and effectiveness of governance and management structures, systems (including those under development) and procedures (covering areas such as financial management, asset management, procurement, human resources, inventory, risk management, and information management) to ensure controls adequately safeguard against errors, fraud and losses and align with the organisation's strategic objectives.

e) To evaluate compliance with internal policies, standards, plans and procedures approved by the Executive Committee of SOS Children's Villages Nepal, as well as with national laws, regulatory requirements and contractual obligations with donors and partners (PSAs).

f) To review whether the organisational assets and resources are acquired economically, utilized efficiently, properly recorded and adequately safeguarded against losses resulting from inefficiency, waste, fraud, poor value for money or mismanagement.

g) To examine the suitability, accuracy, reliability and integrity of financial and other information systems, including the methods used for identifying, measuring, classifying and reporting information.

h) To follow up on the implementation of corrective actions taken in response to weaknesses identified in internal audit reviews, ensuring that best practices are adopted and shared across the organisation.

Note:

- The internal auditor shall have unrestricted access to all records and documents, including books of account, legal agreements, minutes of meetings, bank records, invoices and contracts and may seek explanations and clarifications from all relevant employees of the organisation.
- Confidential information related to children and young people shall not be accessible to the auditors in accordance with the safeguarding and data protection policies.
- The Internal Auditor shall give due consideration to the relevant standard, safeguarding requirements and policies of SOS Children's Villages Nepal and its donors, wherever applicable, while conducting the audit and preparing reports.

B. Reporting

Internal Auditor shall submit final report to the Executive Committee through the National Director. The Internal Auditor shall function under the administrative supervision of the National Director and shall be accountable to the Executive Committee through the National Director for the following:

i. An annual audit plan and methodology developed based on an assessment and understanding of the significant risks to which the organisation is exposed.

ii. Draft management letter shall be submitted to the management for each programme location audited, highlighting key issues identified, required corrective actions and the status of implementation of recommendations from previous audit report. This shall include, inter alia:

- Assessment of the adequacy and effectiveness of the organisation's structures, system and processes, including risk management and internal control mechanisms.
- Identification of significant control weaknesses and opportunities to improve risk management and control processes.
- A summary of significant matters requiring the attention of SOS Children's Villages Nepal's governance and management, including any financial irregularities identified.

iii. A final consolidated annual management letter incorporating findings from all audits conducted during the year shall be submitted to the organisation.

5. Auditor independence

The Internal Auditor shall maintain full impartiality and independence from all management, governance and financial interests of SOS Children's Villages Nepal, including its implementing, supervising and related entities. Throughout the audit period, the auditor shall not be employed by, serve as a director for, or maintain any financial or close business relationships with members of the governance or senior management teams at the National Office, programme locations, or grant- funded projects.

Any existing relationships that may impair independence must be fully disclosed. The auditor is expected to address any challenges encountered during the assignment with support from relevant stakeholders; however, any significant changes to the audit work plan or serious impediments must be promptly reported to SOS Children's Villages Nepal management for appropriate remedial action.

6. Management's responsibilities

Management is responsible for establishing, implementing and maintaining effective internal controls, risk management and governance processes within SOS Children's Villages Nepal. These responsibilities include, inter alia:

- Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements, ensuring they are free from any material misstatements, whether arising from fraud or errors
- Selecting and applying appropriate accounting principles
- Making accounting estimates that are reasonable in the circumstances.
- Ensuring that accurate, complete and timely records are maintained and that organisational resources are used efficiently and in compliance with applicable laws, regulations and organisational policies.
- Providing the Internal Auditor with full and unrestricted access to all relevant documents, records, personnel and information necessary to conduct the audit effectively
- Promptly reviewing, addressing and implementing audit recommendations to improve operational effectiveness and safeguard the organisation's assets

7. Internal Auditors' responsibility

The Internal Auditor shall provide independent and objective assurance and advisory services designed to add value and improve the operations of SOS Children's Villages Nepal. The audit function shall support the organization in achieving its objectives by applying a systematic and disciplined approach to evaluating and enhancing the effectiveness of risk management, internal control, policy compliance, and governance processes. The responsibilities of the Internal Auditor shall include, but not be limited to, the following:

- Reviewing systems, processes and operations to assess the adequacy and effectiveness of internal controls, including their effectiveness in detecting and preventing fraud. Providing professional advice and guidance on the design and strengthening of internal control systems and operational processes
- Making practical and actionable recommendations for improving systems, procedures, and controls
- Assessing the level of compliance with approved policies, procedures, plans, and applicable regulations
- Evaluating the accuracy, completeness, and reliability of management and financial information
- Conducting periodic reviews of income and expenditure to ensure proper authorization and utilization
- Participating, in an advisory capacity, in the design, implementation, and testing of internal controls during major changes to administrative or information systems, without assuming responsibility for their detailed implementation

8. Deliverables

The Internal Auditor shall provide the following deliverables:

- **Draft Internal Audit Report (IAR) on the review basis having:**
  - Risk Assessments and Risk Profiling
  - Memorandum of Observations (In terms of Criteria, Comments, Consequences, level of risk, Corrective Actions, Responsible Person/function)
  - Management responses to the observations
  - Follow-up on prior audit recommendations

– **Annual Final Internal Audit Report**

9. Field visits

SOS Children's Villages Nepal has 10 Children's Villages, 10 Small Group Homes, 7 HG Schools, 15 Family Strengthening Projects, 2 Humanitarian Action projects and the National Office.

As a part of the assignment, the Internal Auditor is required to conduct field visits to all relevant programme locations within a period. The specific programme locations for visits will be identified based on:

- Risk assessment,
- Volume and nature of transactions and
- Funding allocation levels.

Final selection of programme locations shall be agreed upon jointly by management and the auditors. The auditor shall prioritise visits to programme locations identified by management for review or audit.

10. Financial year and timeline for submission of deliverables

(i) **Financial Year:** SOS Children's Villages Nepal follows the calendar year (January to December) as its financial year.

(ii) Timeline for Internal Audit Reports (IARs)

- The internal audit shall be planned and executed starting from the first week of July.
- The Internal Auditor shall submit a **draft management letter for each location** within **one week** after completing the respective field visit.
- The final consolidated Internal Audit Report (IAR) shall be submitted within two months after the end of the financial year (December).

11. Minimum eligibility criteria for Internal Auditors

Before proceeding with the technical and financial evaluation of the received proposals, SOS Children's Villages Nepal's Procurement Committee will conduct a preliminary review to verify the completeness of each submission, ensure that all required documents are properly signed and check for any computational errors. A two-stage evaluation process using the Combined Scoring Method will be followed.

In the first stage, only the technical proposals will be assessed based on their responsiveness to the Terms of Reference (ToR). Proposals that meet the minimum technical score of 60% will qualify for the second stage, during which the financial proposals of technically qualified bidders will be evaluated.

The final evaluation will be based on a weighted scoring system, with the technical proposal carrying 70% and the financial proposal carrying 30% of the total score. The contract will be awarded to the firm that achieves the highest combined score. A National Procurement Committee based at the National Office will review both technical and financial proposals in accordance with the ToR, the defined eligibility criteria and the following evaluation considerations.

SOS Children's Villages Nepal seeks to engage a reputed and experienced firm of chartered accountants to deliver the specified audit service. The following minimum eligibility criteria must be met by the prospective bidders:

i. Must be registered with the Institute of Chartered Accountants of Nepal (ICAN).
ii. Must be a firm of qualified chartered accountants.
iii. Must not have been debarred by ICAN or any other authority in Nepal during the last 5 financial years (self-declaration is sufficient).
iv. Must have at least 6 years of experience conducting statutory and tax audits in the development sector in Nepal.
v. Must demonstrate sound proficiency in internal audit functions in accordance with the specified frameworks.
vi. Must have a team of qualified chartered accountants, including at least one member with 6 or more years of experience in the development sector.

Technical evaluation

The following selection criteria will be used for technical evaluation of the proposals:

Description	Score
Member/Affiliation with International Audit Firms	5
Total years of establishment (Minimum 6 years)	5
Relevant experience of the firm	5
Number of Chartered Accountants in the firm	10
Number of partners in the firm (Minimum 2 partners)	5
Proposed timeline for the assignment	10
Experience of the team leader (Minimum 6 years)	10
Approach and methodology	10
Understanding the nature of organisation	5
Compliance with Terms of Reference (ToR)	5
Interview evaluation/Presentation	30

Financial evaluation

Only proposals that achieve a minimum technical score of 60 out of 100 points will qualify for the second stage of evaluation. In this second stage, the financial proposals of all technically qualified firms will be opened and assessed. The financial proposal carries a total weight of 30 points.

Weight = (Lower Bid price/ Actual Bidding price of Bidder) *30

During the financial evaluation, SOS Children's Villages Nepal will review each sealed financial proposal for arithmetic accuracy. In case of any discrepancy between the amount in figures and in words, the amount in words shall prevail. The adjusted financial proposals will then be used to determine the final financial score for each qualifying firm.

12. Duration of appointment

The selected firm/agency shall be engaged for a period of one year with an engagement letter issued for each calendar year separately. SOS Children's Villages Nepal may renew the contract annually for a maximum of three consecutive calendar years, based on performance.

13. How to apply

a. Interested firms/agencies are invited to submit proposals demonstrating their capacity to carry out the assignment and meeting the minimum eligibility criteria. Proposals must be submitted either in person or via courier to the registered office of SOS Children's Villages Nepal no later than **5:00 pm on February 23, 2026**. Late submissions will not be considered and will be returned unopened.

b. Both Technical and Financial proposals must be prepared and submitted. The cover letter must clearly mention **"Internal Audit"** as the subject. Proposals should be sealed in one outer envelope containing two separate inner envelopes:

- Technical Proposal
- Financial Proposal

The outer envelope should be clearly marked:

"Internal Audit – SOS Children's Villages Nepal, Sanothimi, Bhaktapur"

c. All proposals must be addressed to:

Procurement Committee
SOS Children's Villages Nepal
National Office, Madhyapur-2, Sanothimi, Bhaktapur
P.O. Box No. 757, Kathmandu, Nepal
Phone: +977-1-6630391

d. Any proposals delivered and/or received by the SOS Children's Villages Nepal after the deadline shall not be considered and marked as disqualified. SOS Children's Villages Nepal reserves the right to accept or reject any or all the proposals.

e. The technical proposal should include:

– Profile of the firm, including methodology, detailed team structure and qualifications
– Resumes/CVs of key team members
– Evidence of affiliation with any foreign audit firms (if applicable)
– Registration documents and latest tax clearance certificates

f. The financial proposal must:

– Clearly specify professional fees and out-of-pocket expenses for Internal Audit
– Provide a detailed cost breakdown, including:

- Professional fees
- Other associated expenses
- Be quoted in Nepalese Rupees (NPR)
- Exclude VAT, which should be shown separately where applicable

Note: Travel and accommodation for field visits will be arranged by SOS Children's Villages Nepal.

14. Accountability to participants:

SOS Children's Villages Nepal is committed to transparency, integrity, and accountability in all operations, particularly in interactions with children, families, communities, and partners. The internal audit must be conducted in a manner that:

- Respects the rights and dignity of all programme participants
- Ensures auditors act independently and ethically, maintaining confidentiality
- Avoids any action that could compromise the well-being or safety of participants

Any concerns or irregularities identified during the audit, especially those affecting beneficiaries, must be reported promptly and appropriately. The auditing process must comply with SOS Children's Villages Nepal's safeguarding policies and support continuous improvement in accountability mechanisms.

15. Ethics and integrity:

The selected firm/agency must sign and comply with SOS Children's Villages Nepal Code of Conduct and Safeguarding Policy upon contract agreement. SOS Children's Villages Nepal maintains a zero-tolerance policy toward any form of fraud, corruption, abuse, harassment or exploitation. Any violation of these policies or misconduct may result in disciplinary action or termination of the contract.

Note:

Ethical clearance is not required for this assignment.

16. Queries and clarifications

For any query and clarification, please contact, **procurement@sosnepal.org.np**.

Note:

SOS Children's Villages Nepal reserves the right to accept or reject any or all applications. Failure to comply with the Terms of Reference (ToR) may result in contract termination. Any terms not explicitly stated in this document may be mutually agreed upon at the time of contracting.