

## **Terms of Reference for Financial Audit of The Partnership for Governance Reform For 2025 Financial Statements**

### **A. Background and Scope of Audit**

The Partnership for Governance Reform (KEMITRAAN) is a multi-stakeholder organization promoting governance reform in Indonesia. Its operation started in 2000, and the organization has been working with a wide range of national and international organizations. KEMITRAAN managed funds from donor countries and other sources to deliver the governance reform program by collaborating with appropriate parties such as NGOs, universities, research institutes, government institutions, and other civil societies, as well as through direct implementation by KEMITRAAN. Please visit [www.KEMITRAAN.or.id](http://www.KEMITRAAN.or.id) for further information about the organization and its programs.

The funds managed by KEMITRAAN since year 2000 through 2025 were over USD215 million. And for the **year 2025**, around **USD 11,5 million** have been allocated to **23 projects** including the internal funds.

For the year 2025, KEMITRAAN requires annual financial statement audit of the organization and its projects<sup>1</sup>.

#### **1. Audit objectives**

1.1 The audit should be carried out in accordance with generally accepted auditing standards.

1.2 The audit should comprise as many observations as are considered necessary under the circumstances.

1.3 The specific objectives are as follows:

1.3.1 To give an opinion on the financial statement, whether it presents a true and fair view of revenue and expenditure in agreement with the conditions laid down in the decisions and in accordance with the Indonesian generally accepted accounting principles and considering the contribution agreements.

1.3.2 To evaluate the administrative organisation and internal control structure of the KEMITRAAN and identify any matters worthy of mention, including any material shortcomings in the internal control system.

1.3.3 To make observations to determine whether KEMITRAAN has satisfied in every substantive respect the conditions laid down in the agreement(s) with its donors. Any substantive matters which do not meet the conditions and any indications of unlawful acts must be identified.

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<sup>1</sup> The list of projects to be audited is available on Annex 8.

## **2. Implementation**

### **2.1 Preparation of the audit**

The auditor should assess the follow-up to the findings and recommendations of the previous audits which are relevant to the audit approach for the coming period and should establish whether proper and timely corrective action was taken by KEMITRAAN.

### **2.2 Drafting the audit plan.**

The auditor should develop an audit plan with a timeline that includes an examination of the administrative organization and internal control structure, an analytical review, and a substantive investigation, together with a check on compliance with all financial management policies of KEMITRAAN and its relevant grant conditions provided by its donors.

### **2.3 Scope of Audit**

2.3.1 The scope of the audit includes all disbursements listed in the annual financial statement, covering period of 1 January 2025 until 31 December 2025. For the projects, the period for each project should refer to Annex 8.

The review should establish whether:

- Expenditures made by the organisation are in accordance with the project documents & agreed budget line items funded by the donors and followed the internal control process,
- Expenditures charged to contributions of the donors as well as all income received for the benefit of the program have been properly accounted for, supported by the original proofs and have been incurred during the audit period and authorized by the responsible employees,
- The process for procurement/contracting activities were transparent and competitive and in accordance with the existing operational procedures and applicable laws and that all procured items are listed and well-documented in the inventory,
- The process of recruitment was transparent and in accordance with the applicable laws.

2.3.2 The auditor should audit the financial statement based on the audit plan and check compliance with KEMITRAAN's financial regulation and grant conditions for each project, to issue an auditor's report.

2.3.3 The auditor should request a letter of representation from the KEMITRAAN's management stating that, to the best of its knowledge, the financial statement encompasses

all transactions and receipts, is accurate and complete in every respect and that all grant conditions have been met.

2.3.4 The auditor should ensure that the audit file contains sufficient documents of an appropriate and relevant nature and should record the audit procedures used and the results obtained in the file.

2.3.5 If KEMITRAAN has contracted out some of the activities covered by its grant, the auditor should establish whether checks have been made regarding the implementation of these activities and the associated charges.

The steps listed at 2.1, 2.2, 2.3 are not exhaustive or restrictive and may not impose any limitations on the auditor's professional judgment. Any restrictions on the scope of the audit should be mentioned in the auditor's report.

## **2.4 Reporting**

The long-form auditor's report should include the following:

2.4.1. The aim and scope of the financial audit with its intended use, the audit criteria & audit standard that were applied, where relevant, and any restrictions imposed on the scope of the audit.

2.4.2 The *certified* financial statement including disclosures and the accounting principles applied.

2.4.4 An auditor's report clearly stating the auditor's opinion of the financial statement.

2.4.5 In the case of a **qualified** auditor's report, the auditor should indicate:  
- the influence on the transactions and receipts included in the financial statement; - the grant conditions that have not been met; and/or - any unlawful acts identified.

## **3. Review**

The management of KEMITRAAN and its relevant donors reserve the right to review the audit. The auditor concerned should assist this review and supply the reviewer with all relevant documents relating to the audit.

## **4. Audit files**

The audit firm must keep an orderly and accessible audit file in accordance to the regulation.

## **5. Management Letter**

The auditor will submit 2 kinds of management letter (if any) at the completion of the audit which consists of:

1. Management letter for the overall KEMITRAAN organization
2. Separate additional management letter for the purpose of the projects of:
  - a) ESTUNGKARA – Project Code: 23-01
  - b) ENABLE, COWATER – Project Code: 24-02
  - c) RIMBA PMU, UNEP – Project Code: 24-03
  - d) AF INOVASI 2 KAPABEL – Project Code: 23-10
  - e) AF HAI – Project Code: 22-05

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f) AF UNTAG – Project Code: 22-06

The management letter should include at least the following topics/issues:

1. Findings regarding the evaluation of the administrative organisation and internal control structure of KEMITRAAN, identifying any matters worthy of mention, including any material shortcomings in the internal control system.
- 2.
3. Report on findings of any specific internal control weaknesses and give recommendations to resolve/eliminate the internal control weaknesses and the risks they impose,
4. Report as to whether recommendations made in the management letter in the previous audit report were implemented or, if not, report on the implementation status.
5. Management comments/response.

## **B. Deliverables**

The audit report should include at the minimum:

- **An Audit Opinion** (see annex 1 and annex 4) on the following statements:
  - ❑ Financial Statements (Statement of Financial Position, Statement of Activities and Statement of Cash Flows) as at 31 December 2025 including all Projects' financial statements (23 Projects) as supplementary information.
  - ❑ Statements of Expenditures as at 31 December 2025 including all Projects' financial statements (23 Projects) as supplementary information.
- **Management Letter** as explained in section A.5 which also covers:
  - A summary of audit findings categorized by risk severity (annex 2) and its possible causes (annex 3) and recommendations.
  - Management comments/responses against the audit findings and recommendation.
  - Comments on the follow-up to the recommendations from previous audits or assessments and the management response to those.
- **A summary of the Functioning of Internal Control System and Recommendations** stating:
  - Main identified risks to the management of agreed activities and the use of funds provided by the donors, arising from weak internal controls.
  - Any identified specific internal control weaknesses in the financial management system.
  - Recommendations on how the identified risks may be better managed, and how the internal controls can be strengthened. Recommendations should clearly identify those responsible for their implementation within the organization. The comments of KEMITRAAN should be included in the audit report, under the recommendation.

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- A list of transactions tested. For any exceptions identified, the report should list the transaction details and the nature of the exception.
- When the period of KEMITRAAN's financial statements is different from the period Project's financial statement, The Auditor shall review the reconciliation of the figures between KEMITRAAN's financial statements and Project's financial statement.

### **C. Available Facilities and Right of Access**

The auditor will have full and complete access at any time to all records and documents (including books of account, legal agreements, minutes of committee meetings, bank records, invoices, and contracts, etc.) and all employees of KEMITRAAN. The auditor also has a right of access to banks, consultants, contractors, grantees and other persons or firms engaged by KEMITRAAN.

### **D. Audit Timeframe**

The audit will commence on 25 November 2025 and is scheduled to be completed by 15 May 2025. The draft audit report should be completed before 30 April 2025.

### **E. Qualifications of the Auditor**

- ❑ The auditor/audit team should have an outstanding track record in conducting an audit of projects managed by international/global organizations or public entities.
- ❑ An audit team member with knowledge and/or experience in non-profit organization financial rules and regulations as well as procurement policies, or other standards set forth for a specific project audit and procurement review is an advantage.
- ❑ The auditor/audit team should be an internationally recognized auditing firm which has legal affiliation with Indonesia public auditing firm.

### **F. Contractual Arrangement**

The auditors will be contracted for 1 year audit with possible contract extension based on the *'Peraturan Menteri Keuangan Nomor 17 Tahun 2008'*, with the possible maximum engagement of total up to 6 years if the auditing firm still meets the requirement for the following year audit.

### **G. Evaluation Sheet for Organizational Capacity**

The audit firm is required to submit a technical proposal and financial proposal in a separate envelop. The technical proposal will be weighted 50% and financial proposal 50%.

#### **G.1 Technical Proposal**

The technical proposal will be evaluated using the following criteria:

NO	CRITERIA	POINT
1	Methodology/approach	15
2	Team proposed/consultant qualification	25
3	Organization capacity	20
4	Schedule/time frame	40
	Total Point	100

Passing grade for a technical proposal is 60 points with no grade below 50% of each component evaluated.

## **G.2 Financial Proposal**

Financial proposals will be opened for those audit firms passing the technical proposal. The financial proposal shall detail the cost for annual audit of KEMITRAAN and each project. The scoring for financial proposal is maximum 100 points and is calculated as follows:

$$\text{Points earned} = \frac{\text{Lowest bid}^2 \times 100 \text{ points}}{\text{Your proposal value}}$$

## **H. Others**

Since each donor of KEMITRAAN needs to know the status of fund contributed, it is required that the audit report also includes the financial report of a project as supplement to the consolidated KEMITRAAN's financial statements. Please see annex 5 and 6 as a sample of financial project report.

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<sup>2</sup> Lowest bid on annual financial statement audit of the organization.

## Annex 1: Definition of Audit Opinions

### **Unqualified (Clean) Opinion**

An unqualified opinion should be expressed when the auditor concludes that the financial statements give a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

### **Qualified Opinion**

A qualified opinion should be expressed when the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with management, or limitation on scope is not material and pervasive as to require an adverse opinion or a disclaimer of opinion. A qualified opinion should be expressed as being 'except for' the effects of the matter to which the qualification relates.

### **Disclaimer of opinion**

A *disclaimer of opinion* should be expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and accordingly is unable to express an opinion on the financial statements.

### **Adverse**

An adverse opinion should be expressed when the effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

Annex 2: Categorization of Audit Findings by Risk Severity

<b>High</b>	Action that is considered imperative to ensure that KEMITRAAN is not exposed to high risks (i.e., failure to act could result in major consequences and issues).
<b>Medium</b>	Action that is considered necessary to avoid exposure to significant risks (i.e., failure to act could result in significant consequences).
<b>Low</b>	Action that is considered desirable and should result in enhanced control or better value for money.



[Annex 3: Classification of possible causes of Audit Findings](#)

<b>Compliance</b>	Failure to comply with prescribed KEMITRAAN regulations, rules and procedures
<b>Guidelines</b>	Absence of written procedures to guide staff in the performance of their functions
<b>Guidance</b>	Inadequate or lack of supervision by supervisors
<b>Human error</b>	Mistakes committed by staff entrusted to perform assigned functions
<b>Resources</b>	Lack of or inadequate resources (funds, skills, staff, etc.) to carry out an activity or function

Annex 4: Sample of Certification for Statement of Expenditures

We have audited the accompanying statement of expenditures ("the statement") of KEMITRAAN for the period 1 January 2025 to 31 December 2025. The statement is the responsibility of the management of KEMITRAAN. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached statement of expenditure presents fairly, in all material respects, the expenditure of *[insert amount in US\$]* incurred by *[insert official title of project]* for the period from 1 January 2025 to 31 December 2025 in accordance with the accounting policies set out in the note to the statement. The expenditures incurred were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in accordance with the relevant polices, regulations and rules of KEMITRAAN; and (iv) supported by properly approved vouchers and invoices.

Auditor's signature

Date

Address

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Annex 5: Sample of Summary Income and Expenditures of Each Project as Supplementary Information to the Financial Statements

**SUMMARY OF INCOME AND EXPENDITURES FOR EACH PROJECT\***

For the Period 1 January 2025 to 31 December 2025

Name of Program/Project	Project 1	Project 2	Project 3	Project 4	.....	Project n	TOTAL
Donor (s)							
Revenues							
Contribution from Donor							
Other Revenue (Expenses)							
Expenditures							
Net Balance							
Net Assets at Beginning of Year							
Net Assets at End of Year							

Note:

\*) please use "project" or "program" term interchangeably as appropriate. A program generally consists of more than 1 project, while a project is an individual project comprising several activities.

Annex 6: Sample of Financial Project Report as Supplementary Information of Each Project to the Financial Statements

**BUDGET vs ACTUAL**

Project Name:  
Project Value:  
Period of Project:  
Donor (s):  
Period of Report: 1 Jan 2024 – 31 Dec. 2024  
Implementing Partner (s):  
Currency: USD

Description	Budget	Actual	Variance	% Actual
<b>Revenue</b>				
Contribution from Donor				
Other Revenue (Expenses)				
<b>Expenditures</b>				
1.				
2.				
3.				
4.				
5.				
6.				
.....				
<b>Net Balance</b>				
<b>Net Assets at Beginning of Year</b>				
<b>Net Assets at End of Year</b>				

Annex 7: List of Projects for CY 2025 Audit require a separate opinion and management letter:

No.	Project Name	Audit Period	Budget of the audit period	Notes
a)	ESTUNGKARA – Project Code: 23-01	1 January 2025 to 31 December 2025	USD 931,677	Required separate management letter for the project annual audit
b)	ENABLE, COWATER – Project Code: 24-02	1 January 2025 to 31 December 2025	USD 1,339,135	Required separate opinion and management letter for the project annual audit
c)	RIMBA PMU, UNEP – Project Code: 24-03	1 January 2025 to 31 December 2025	USD 368,951	Required separate opinion and management letter for the project annual audit
d)	AF INOVASI 2 KAPABEL – Project Code: 23-10	13 June 2023 to 28 February 2025	USD 250,000	Required separate opinion and management letter for the whole project period (closed out)
e)	AF HAI – Project Code: 22-05	22 August 2022 to 28 August 2025	USD 963,456	Required separate opinion and management letter for the whole project period (closed out)
f)	AF UNTAG – Project Code: 22-06	8 March 2022 to 31 May 2025	USD 824,835	Required separate opinion and management letter for the whole project period (closed out)

\*) The previous year budget for annual financial statement audit of the organization was IDR 200,000,000.