

Terms of Reference (ToR)
Auditor for UCLG ASPAC Financial Report Fiscal Year 2025 and 2026

Procurement No	: 024/UCLG ASPAC/XII/2025
Item Procurement	: Audit Services Fiscal Year 2025 and 2026
Department/Division	: Bureau of the Secretary General
Purpose	: Audit Services Fiscal Year 2025 and 2026
Posting Date	: 03 December 2025
Closing Date	: 15 December 2025

A. BACKGROUND/INTRODUCTION

UCLG ASPAC is the largest regional section of the United Cities and Local Governments (UCLG), an amalgamation of the International Union of Local Authorities (IULA), United Towns Organisation (UTO), and World Association of the Major Metropolises (METROPOLIS). UCLG was established on 1 January 2004 and is headquartered in Barcelona, Spain. Following this unification, UCLG ASPAC was established in Taipei on 14 April 2004, as the new entity of IULA ASPAC.

UCLG ASPAC is the key knowledge management hub on local government issues in the Asia-Pacific region. It promotes democratic local government, supports cooperation between cities, local governments and their associations, and facilitates programmes, networks and partnerships to develop the capacity of local governments and their associations. Moreover, UCLG ASPAC represents local governments politically within the international community and with the United Nations. It also promotes inclusive societies which safeguard equality, social and economic justice, and sustainable community development. UCLG ASPAC is engaged in all relevant thematic fields for nurturing sustainable development, comprising poverty alleviation, climate change, disaster resiliency, culture, strategic planning, decentralisation, local finance, gender equality, women leadership and empowerment, as well as good governance.

The subject of this engagement is the Consolidated Financial Report, which encompasses the final financial report for an interim financial report, in relation to the financial implementation, covering the fiscal period of 1/01/2025 to 31/12/2025 and 1/01/2026 to 31/12/2026. This financial consolidated report is produced by the ERP (Enterprise Resource Planning) system by Microsoft Business Central 365.

The information, both financial and non-financial, which is subject to verification by the Auditor, is all information which makes it possible to verify that the expenditure claimed by UCLG ASPAC in the Consolidated Financial Report has occurred and is accurate and eligible.

The auditor also requested to review the current ERP system implementation in UCLG ASPAC to ensure its compliance with Interpretasi Standar Akuntansi Keuangan (ISAK) 35 and IFRS (International Financial Reporting Standards). Any input and recommendations are expected. The audit shall be carried out in accordance with International Standards on Auditing (ISA) and other relevant professional standards issued by IFAC. The auditor shall also consider principles of sound financial management, transparency, and accountability as reflected in international donor requirements, including those of the European Union and other multilateral partners, while remaining compliant with UCLG ASPAC's internal SOPs and Indonesian regulations.

This ToR has been prepared in line with UCLG ASPAC's Finance SOP (Version 3.0, 2024) Section 4.12 on Audit and Record Retention, to ensure consistency with the organisation's financial management standards.

B. OBJECTIVES

The objective is to enable the auditor to express an independent opinion on whether the Consolidated Financial Report gives a true and fair view of UCLG ASPAC's financial position and whether expenditures comply with relevant donor and grant conditions, UCLG ASPAC internal SOPs, and relevant contractual obligations.

The audit provides UCLG ASPAC management, donors, and governing bodies with an independent, objective assurance that:

- Financial statements and consolidated reports present a true and fair view of the organisation's financial position;
- Expenditures have been used for their intended purposes and are eligible under relevant funding agreements;
- Internal controls and SOPs are adequate and functioning effectively to prevent and detect irregularities, fraud, and non-compliance.

C. EXPECTED RESULTS

1. Audited Financial Report and Opinion

- An Independent Auditor's Report issued in accordance with ISA and ISAK 35, expressing an opinion on whether the Consolidated Financial Statements for FY2025 and FY2026 are prepared in line with IFRS and UCLG ASPAC's accounting policies.
- The report should include:
 - Opinion (unqualified, qualified, adverse, or disclaimer),
 - Notes on significant accounting policies,
 - Any departures or misstatements identified.

2. Compliance Verification

- Confirmation that expenditures are:
 - Supported by adequate documentation (receipts, contracts, payrolls, etc.);
 - Eligible and allowable under project grant terms;
 - In line with UCLG ASPAC SOPs (Finance, Admin, Procurement, HR, and Travel);
 - Properly authorised and recorded through the ERP (Microsoft Business Central 365);
 - Converted using the correct InfoEuro exchange rate per SOP Finance.
- Identification of any ineligible or unsupported costs for management action.
- Verification that any sub-grants, partner expenses, or third-party payments follow proper documentation and approval per SOP Finance and Procurement.

3. Internal Control Assessment

- A written evaluation of the effectiveness of internal control systems within:
 - Finance and accounting procedures,
 - Procurement and contract management,
 - HR payroll and benefits,
 - Travel authorisation and DSA procedures.
- Identification of any control weaknesses, process gaps, or risks of non-compliance.
- Recommendations for strengthening controls, segregation of duties, and ERP utilisation.

4. Management Letter

- A detailed management letter listing:

- Observations on internal control, documentation, or compliance issues;
- Root causes of any deficiencies;
- Recommended corrective actions with priority levels (high, medium, low);
- Management responses and agreed timelines for follow-up.
- The letter should be reviewed by the Finance Manager and Secretary General and submitted to the Financial Management Committee and Executive Bureau of UCLG ASPAC.

5. Audit Summary Presentation

- The Auditor shall present the findings to UCLG ASPAC's management, including:
 - Overview of financial performance and key ratios,
 - Summary of compliance results,
 - Risk analysis and recommendations for the next audit cycle,
 - Training or technical recommendations for ERP or SOP improvement.

6. Institutional Learning and Improvement

- The audit process results in:
 - Improved understanding among staff of compliance and control expectations,
 - Updated internal procedures (if required) to close gaps identified during audit,
 - Strengthened governance and donor confidence.

Audit evidence must be sufficient and appropriate, documented in working papers. All findings must be fact-based, verifiable, and supported by evidence. The final report must be clear, comprehensive, and actionable. All audit documentation shall remain the property of UCLG ASPAC and be stored in accordance with SOP Finance (Record Retention Policy – minimum five years).

D. SPECIFICATION

It refers to the Auditor selected and responsible for performing the agreed-upon procedures specified in the ToR and for submitting a report of factual findings to UCLG ASPAC. By agreeing to the ToR, the Auditor confirms having at least one of the following conditions:

- The Auditor and/or the firm is a member of a national accounting or auditing body or institution which, in turn, is a member of the International Federation of Accountants (IFAC).
- The Auditor must commit him/herself to undertake this engagement in accordance with the IFAC standards and ethics set out in the ToR.
- The Auditor and/or the firm is registered as a statutory auditor in the public register of a public oversight body in a third country, and this register is subject to principles of public oversight as set out in the legislation of the country concerned (this applies to auditors and audit firms based in a third country).

UCLG ASPAC will be responsible for providing the Consolidated Financial Report and for ensuring it can be properly reconciled with UCLG ASPAC's accounting and bookkeeping system and with the underlying accounts and records.

UCLG ASPAC accepts that the ability of the prospective Auditor to perform the procedures required by this engagement effectively depends upon UCLG ASPAC, and, as the case may be, the partners, providing full and free access to UCLG ASPAC's staff and its accounting and other relevant records.

E. SCOPE OF WORKS

The audit shall integrate international audit best practices and comply with UCLG ASPAC SOP Finance.

1. Financial Verification – Trace expenditures to source documents and confirm eligibility.
2. System and Control Review – Verify ERP, procurement, HR, and travel controls against SOPs and EU Article 125 (internal control).
3. Compliance Testing – Assess adherence to:
 - UCLG ASPAC SOPs: Finance, Admin, Procurement, HR, and Travel.
 - EU requirements for supporting documentation retention (minimum 5 years).
4. Field Verification – Mandate sample-based project visits and stakeholder interviews.
5. Management Letter – Must identify control weaknesses, non-compliance, and recommendations with response tracking. The Auditor shall undertake this engagement in accordance with the ToR and:
 - With the International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC).
 - In compliance with the Code of Ethics for Professional Accountants issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, UCLG ASPAC requires that the auditor also comply with the independence requirements of the Code of Ethics for Professional Accountants.
6. The Terms and Conditions of the Grant Arrangement. The Auditor verifies that the funds provided by the grant were spent in accordance with the terms and conditions of the Grant Arrangement.
7. Planning, procedures, documentation and evidence.
The Auditor should plan the work so that effective expenditure verification can be performed. For this purpose, she/he performs the procedures specified, and she/he uses the evidence obtained from these procedures as the basis for the report of factual findings. The Auditor should document matters which are important in providing evidence to support the report of factual findings, and evidence that the work was carried out in accordance with ISRS 4400 and the ToR.

The audit location is at the UCLG ASPAC Secretariat office in Jakarta, Indonesia. The audit implementation can also possible to be combined with an online method by providing cloud access for the auditor. All documentation will be provided in digital copies (paperless) in cloud/shared drives, and the physical documentation can be accessed in the UCLG ASPAC office.

F. TIME FRAME

Audit Fees:

- The fee for this engagement will be agreed upon before the engagement of the auditor.
- The engagement fee shall include all necessary and relevant expenses incurred by the Auditor to perform the engagement. UCLG ASPAC shall neither be liable for nor reimburse any additional expense not originally budgeted for within the agreed fee.
- Should the report not be of sufficient quality and fail to meet the requirements, the UCLG ASPAC reserves the right to withhold part of, or the entire agreed fee.
- UCLG ASPAC is not liable for any local employment-related taxes or employee costs, including health and/or any liability costs, incurred as a result of this verification report.
- No additional verification work should be conducted by the Auditor until a prior written agreement has been made with UCLG ASPAC and any necessary increase in the fee for the engagement has been agreed.

Reporting:

The report on this expenditure verification should describe the purpose and the agreed-upon procedures of the engagement in sufficient detail in order to enable UCLG ASPAC to understand the nature and extent of the procedures performed by the Auditor.

The Auditor will be required to submit the following reports and deliverables:

- Detailed scope of work, dates for field work and site visits and schedule of client-prepared documents required within 10 days of a signed Letter of Appointment (LoI).
- Draft final audit report FY 2025 to be submitted by 30 April 2026, with the exit conference date to be mutually agreed upon.
- Final report and management letter FY 2025 due on 25 May 2026. The management letter is to highlight if any, material weaknesses in internal controls and noncompliance with the Contract, and also within the current ERP system.
- Draft final audit report FY 2026 to be submitted by 30 April 2027, with exit conference date to be mutually agreed upon.
- Final report and management letter FY 2026 due on 25 May 2027. The management letter is to highlight if any, material weaknesses in internal controls and noncompliance with the Contract and also within the current ERP system.

All deliverables must be submitted electronically (PDF and Word formats) and include digital signatures.

Payment Terms:

Audit FY 2025

- First payment: 10 days after the signing of the LoI and with submission of the 1st invoice
- Second payment: 14 days after the submission of the 1st draft Audit Report and Management Letter FY 2025, and with submission of the 2nd invoice.
- Third/Final payment: 14 days after the submission of the Final Audit Report and Management Letter FY 2025 and the 3rd invoice.

Audit FY 2026

- First payment: 10 days after the signing of the LoI and with submission of the 1st invoice
- Second payment: 14 days after the submission of the 1st draft Audit Report and Management Letter FY 2026, and with submission of the 2nd invoice.
- Third/Final payment: 14 days after the submission of the Final Audit Report and Management Letter FY 2026 and the 3rd invoice.

Payments are subject to the approval of satisfactory deliverables by the Finance Manager and endorsement by the Secretary General.

Summary of Expected Deliverables and Timeline

No	Deliverable	Description	Timeline
1	Independent Auditor's Report	Opinion on FY2025–2026 Financial Statements (ISA format)	Within 90 days after the fiscal year-end

2	Management Letter	Summary of findings, weaknesses, and recommendations	Alongside the draft report	
3	Compliance Checklist	Verification matrix against UCLG ASPAC SOPs and grant rules	With the draft report	
4	Exit Meeting & Presentation	Summary briefing to Management & Executive Bureau	Upon submission of the final report	

G. SELECTION COMMITTEE

The procurement method to be applied is Request for Quotation (RFQ).

The Secretariat (Finance and Administration Division) will issue written invitations to a minimum of three (3) eligible and reputable audit firms that:

- Are registered members of a recognised national accounting or auditing body affiliated with the International Federation of Accountants (IFAC);
- Have demonstrable experience in auditing non-profit or international organisations;
- Are independent and have no conflict of interest with UCLG ASPAC.

Each invited auditor will be provided with:

- The Terms of Reference (ToR),
- Quotation template and submission instructions, and
- Evaluation criteria.

In accordance with Procurement SOP Section 4.3, a Selection Committee will be established and endorsed by the Secretary General to oversee the selection process.

The committee shall consist of at least three (3) members, with balanced representation, as follows:

Position	Role in the Committee
Finance Manager	Chairperson – ensures financial and procedural compliance
Program/Project Manager (non-finance)	Member – ensures operational needs and scope relevance
HR or Administration Officer	Member – ensures adherence to procurement procedures and documentation
(Optional) Internal Auditor or External Advisor	Observer/Advisor – ensures independence and transparency

Note: Committee members must sign a Declaration of Impartiality and Confidentiality before the evaluation process.

The evaluation will follow a Combined Quality and Cost-Based Selection (QCBS) approach, weighted as follows:

- Technical Evaluation (70%)
 - Firm qualifications and experience in auditing NGOs or donor-funded organisations;
 - Experience with IFRS/ISAK 35 and use of ERP systems (Microsoft Business Central);

- Understanding of UCLG ASPAC and the scope of work outlined in the ToR;
- Qualifications of the proposed audit team.
- Financial Evaluation (30%)
 - Reasonableness of cost in line with market rate and micro-purchase threshold.

The Selection Committee shall prepare an evaluation summary and recommendation form, signed by all members, to accompany the contract award proposal. The highest-ranked firm achieving the best value-for-money score will be recommended for contract award.

All documents related to the selection and contracting process, including ToR, invitations, quotations, evaluation sheets, minutes of meetings, and the signed contract, shall be kept by the Finance Division and Administration Division for a minimum of five (5) years in compliance with the Finance SOP (Record Retention). The Finance Division and Administration Division shall maintain all procurement and selection documentation in both digital and physical form, accessible for audit verification.

H. How to Apply

For interested consultant please submit your proposal and Company Profile to: procurement@uclg-aspac.org; copy to : lenny.trisnandari@uclg-aspac.org; hanggar.irawan@uclg-aspac.org

Kindly submit your proposal and company profile before 15 December 2025, before 17:00 (Jakarta time)