



# नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था

## THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL

(Established under the Nepal Chartered Accountants Act, 1997)



च. नं.  
Ref. No.

### अन्तिम तथा कर लेखापरीक्षणको लागि सिलबन्दी प्रस्ताव आह्वान गरिएको बारे ।

(दोश्रो पटक प्रकाशित मिति: २०८०/१०/१४)

यस संस्थाको आर्थिक वर्ष २०८०/८१ को अन्तिम तथा कर लेखापरीक्षण गराउनु परेको हुँदा यस संस्थामा दर्ता भई योग्यता पुगेका इच्छुक लेखापरीक्षक फर्महरूबाट रितपूर्वक प्राविधिक तथा आर्थिक प्रस्ताव आह्वान गरिएको छ । यस कार्यका लागि इच्छुक फर्महरूले मिति २०८० माघ २८ गते १२:०० बजे भित्र सातदोबाटो, ललितपुर स्थित संस्थाको केन्द्रिय कार्यालयमा अन्तिम तथा कर लेखा परीक्षणको सिलबन्दी प्राविधिक तथा आर्थिक प्रस्ताव छुट्टाछुट्टै खाममा पेश गर्न सूचित गरिन्छ । दर्ता गर्ने अन्तिम दिनको दिउँसो २:०० बजे संस्थाको केन्द्रिय कार्यालयमा सिलबन्दी प्राविधिक प्रस्ताव नियमानुसार खोल्ने छ ।

यस सम्बन्धी Terms या Reference (ToR) संस्थाको वेबसाईट [www.ican.org.np](http://www.ican.org.np) मा राखिएको छ ।



नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था  
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## TERMS OF REFERENCE

### FOR STATUTORY AUDIT OF FY 2080/81

#### 1. About ICAN

The Institute of Chartered Accountants of Nepal (ICAN), an Autonomous Body, established by a Separate Act, Nepal Chartered Accountants Act 1997, is entrusted by the statute to promote and regulate the accounting profession in the country. ICAN is committed to contribute to the economic development of the country and undertake responsibility of leadership on matters of public interest, constructive suggestions on legislation and Government policy, and enhancement of social recognition and faith in the accounting profession. The Institute provides Chartered Accountancy education to aspiring students. The members of the Institute provide professional accounting services and the Institute aspires them to equip with the expertise of professional excellence. ICAN is a full member of the International Federation of Accountants (IFAC), which represents nearly three million accounting professionals in 135 countries through 180 member bodies and associations. The Institute is also a full member of Confederation of Asian and Pacific Accountants (CAPA), a regional organization representing thirty-three national professional accountancy organizations in the Asia-Pacific region and South Asian Federation of Accountants (SAFA), a forum of regional professional accounting bodies in the South Asian region.

#### 2. Objective of the Audit

The overall objective of the audit is to enable the auditor to express an independent opinion whether the financial statements present fairly, in all material respect, the financial position of the Institute of Chartered Accountants of Nepal (ICAN) as on Ashadh end 2081 and of its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRS), to communicate as required by Nepal Standards on Auditing (NSAs), in accordance with auditor's findings.

The auditor should also report whether:

- all the information and explanations which to the best of their knowledge and belief necessary for the purpose of audit were provided;
- the Institute has kept proper books of account as required by the law so far as appears from their examination of such books;
- the Statement of Financial Position, the Statement of Income, Statement of Other Comprehensive Income, the Statement of Changes in Funds and Reserves and Statement of Cash Flows are in agreement with the books of account as maintained by the Institute;
- the executive, management or any employee of the Institute has acted contrary to the laws and regulations, bye laws and policies of the Institute, or misappropriated any property/assets/funds or caused loss or damage to the Institute;
- the operation of the Institute and its units are conducted in satisfactory manner;
- any accounting fraud has been committed in the Institute.

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### 3. Scope of the Audit

The audit will be carried out in accordance with the Nepal Standards on Auditing and will include such tests and verification procedures as the auditor deems necessary under the circumstances. The auditor should provide independent auditor's opinion as per the Objective of the audit section above.

In conducting the audit, special attention should be paid to the following:

- Verify financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions, and other applicable directives;
- Verify appropriate supporting documents maintained by the Institute and their linkage with the transactions posted;
- Verify procurements have been carried out in accordance with the applicable laws and regulation, Rules and By Laws framed under Nepal Chartered Accountants Act, Public Procurement Act and other applicable laws and regulations;
- Review the effectiveness and efficiency of the financial reporting system; appraise the effectiveness and efficiency with which resources are employed and identifying opportunities to improve operating performance;
- Review the reliability and integrity of financial and operating information and the means used to identify measure, classify and report such information;
- Obtain an understanding of the internal controls relevant to financial reporting for the purpose of determining the extent of reliance to be placed on those controls and or to determine the audit strategy and sampling methodology;
- Review the systems established by management to ensure compliance with those policies, laws, regulations and controls that could have an impact in the financial statements.
- Ascertain, by means of a review of the narrative part of the financial report, that the narrative and financial sections of the report are in agreement and contain no contradictions;
- Review of ICAN's branches operation and their financial affairs including visit to branch offices , if necessary;
- Review of internal auditor's reports, other internal reports and identify issues relevant to financial reporting to define the area of focus;
- Review of effectiveness of functions and operation efficiencies of ICAN's directorates and various departments under such directorates to the extent they are relevant to financial reporting.

In addition to above, the statutory auditor shall also be responsible to act as tax auditor of the Institute and provide tax audit report, and independent certifications on the tax returns as required.

### 4. Responsibility for Preparation of Financial Statements

The responsibility for the preparation of financial statements lies with the management of ICAN. The management of ICAN is also responsible for:

(a) the designing, implementing, and maintaining appropriate internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud and error;

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## The Institute of Chartered Accountants of Nepal

(b) the selection and application of appropriate accounting policies and making accounting estimate that are reasonable in the circumstances;

(c) The management of ICAN will prepare the financial statements in accordance with Nepal Financial Reporting Standards.

### 5. Responsibility of Auditor

The auditor is responsible for the formulation of an opinion on the financial statements based on their audit conducted in accordance with Nepal Standards on Auditing and issue an audit report. These standards require the auditor to plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes an assessment of the accounting principles used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation and of the risks of material differences as a result of fraud.

### 6. Financial Statements

The Financial Statements prepared by the management of the Institute shall include:

- Statement of Financial Position as at Ashadh end 2081 (with schedules forming integral part of Statement of Financial Position)
- Statement of Income for the year ended Ashadh end 2081 (With schedules forming integral part of Statement of Income)
- Statement of Other Comprehensive Income for the year ended Ashadh end 2081
- Statement of Cash Flows for the year ended Ashadh end 2081
- Statement of Changes in Funds and Reserves for the year ended Ashadh end 2081
- Notes to the Financial Statements together with significant accounting policies and other explanatory information

### 7. Management Letter

In addition to the audit report, the auditor will prepare a "Management Letter" in which auditor will:

- Provide comments and observations on the accounting records, procedures, systems and controls that were examined during the course of the audit;
- Identify specific deficiencies and areas of weakness in systems and controls and make recommendations for improvement;
- Report on non-compliance with the provisions of applicable laws and regulations of the country;
- Report on performance of various departments having regard to economy, efficiency, effectiveness and propriety;
- Bring to the management's attention any other matters that the auditor considers pertinent;
- Report on the implementation status of recommendations pertaining to previous period audit;





## 8. General Information

- The auditor shall be given access to all books of account, documents, legal documents, correspondence and any other information deemed necessary by them for discharge of their duties.
- All information obtained by the Auditor during the course of audit should be kept confidential and should not disclose to others without approval of the ICAN unless it is required by any laws of Nepal to disclose them.

## 9. Eligibility Criteria for Firm and Expertise Required

1. Engagement Partner should have Certificate of Practice issued by ICAN and should have at least 10 years of practicing experience in undertaking statutory audit or assurance services.
2. Engagement Quality Control Reviewer should have Certificate of Practice issued by ICAN and should have at least 5 years of experience in undertaking statutory audit or assurance services.
3. Engagement Leader/Manager should be a Professional Accountant and have at least 5 years of post-qualification experience in undertaking assurance services.
4. Senior Audit Associate should have a professional accountant's membership either from ICAN or foreign professional accounting bodies and at least 1 year of post qualification experience in undertaking similar assignments.
5. Other Audit Associates should have at least a bachelor's degree in the area of management, economics, mathematics, statistics, or other similar related subjects and should have experience of at least 2 years in undertaking assurance assignments.

**Note:** Person with valid and active registration in ICAN as student, chartered interns and examinees appearing for membership exams are not allowed to be proposed as team member. Such proposal will lead to automatic disqualification of proposal.

The senior audit associate should be minimum 1 in number and other audit associates should be minimum 2 in number.

## 10. Eligibility for submission of Proposal

1. The audit firm should be registered with the Institute of Chartered Accountants of Nepal (ICAN) under "Chartered Accountants" category.
2. The firm should be registered with VAT.
3. The firm's registration with the Institute of Chartered Accountants of Nepal (ICAN), and the Certificate of Practice of the firm's partners should be duly renewed;
4. The firm should have obtained tax clearance certificate/ income tax submission report of latest financial year end along with the tax clearance certificate of the year previous to that financial year.
5. None of the partners of the firm should be the present Council member or Member of any of the present Standing Committees and Boards of the ICAN and should not have any personal/self interest in affairs of Institute.



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6. The firm and its partners should not have been convicted of any offence by any competent body under the provision of any laws and regulation including moral turpitude and period of five years has been lapsed after the punishment is served.
7. The firm and its partners should not have any disciplinary case ongoing in ICAN.
8. The firm should not be currently blacklisted under the applicable legislation.

### 11. Submission of Proposal

- The interested audit firm should submit Technical and Financial proposals separately in sealed envelopes clearly mentioning 'Technical Proposal' and 'Financial Proposal' and the name and address of the audit firm outside the envelopes.
- The cover letter of the proposals should include the self-declaration of point 10(5), 10(6), 10(7) and 10(8) above.
- The Technical Proposal should contain at least profile of the firm, structure, staff strength, audit approach and methodology, composition of the proposed audit team with proposed man days of each proposed audit team members both for Statutory Audit and Tax Audit which firm considers to be helpful in evaluation of the firm's technical proposal separately;
- The "Financial Proposal" must reflect Audit Fee (Tax Audit and Statutory Audit) and total reimbursable expenses breakdowns. The financial proposal should follow the provisions outlined in the guideline "Firms Standards and Minimum Fee Guideline 2078" issued by the Institute. The expenses shall be reimbursed upon submission of actual invoices. The financial proposal should also include the breakdown of fees.
- The Proposal should be submitted by 28<sup>th</sup> Magh 2080.

The Technical Proposal and Financial Proposal submitted should be with reference to the "ICAN's directive to Members relating to Standard of Audit Firm and Fee, 2078".

### 12. Evaluation Criteria

Proposals will be evaluated in two parts. The technical proposal will bear 80% of the total marks while the financial proposal will bear 20% of the total marks. Proposal securing less than 60 % marks in technical evaluation will not be considered for further evaluation. The proposals received will be evaluated based on the general experience of the firm, human resources of the firm, , experience and qualification of human resources of the firm proposed, man days proposed, approach and methodology of the firm to deliver the services required as per the terms of reference. The method of selection will be quality and cost based selection method.

### 13. Minimum Documents Required

#### Checklist for Technical Proposal

The technical proposal should include the documents to support eligibility as per the point 9 above and in the manner described in point 10. Additionally, the proposal should contain the following matters:

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- Profile of the firm;
- Details of firm's staff capacity along with their qualification, information regarding membership in professional accounting organizations (PAOs);
- General experience of firm in statutory audit and statutory audit of state owned entities (SOEs) and listed entities;
- Team composition, certificates of academic qualification of proposed team members including engagement partner (providing evidence to requirement of Point no 9), resume detailing experience and qualification of proposed team members, details of statutory audit assignments in which proposed team members have experience;
- Proposed approach and methodology clearly mentioning the approach to be adopted in order to deliver service as per the terms of reference.

### Checklist for Financial Proposal

- Total Audit Fee (including statutory and tax audit fee)
- Break up of statutory audit fee and tax audit fee proposed clearly demonstrating the rate applied and man days proposed for each team member;
- Basis of reimbursable fee to be charged; if any

### 14. Conclusion

The Terms of Reference can act as a service level agreement with the council or audit committee so that there is a clear understanding of the role, purpose and position of statutory and tax audit within the Institute and the scope and nature of its work. Proposals that do not confirm the requirements, specifications, terms and conditions and accompanied without adequate documents as set out in the terms of reference may be rejected as non-responsive.



Annex – 1: Details of firm’s experience, human resource capacity and composition of proposed team

Word file of Annex – 1 can be downloaded from below link:

Download Word File [HERE](#)

A. Firm's Human Resources

1. Fellow Chartered Accountants Including Partners

(Do not include Consultant / Part Time Staff in this section.)

S. N.	Name	Position / Designation in Firm	Date of Obtaining FCA Membership from ICAN	Name of Other Professional Accountancy Organization from which membership (If available) is obtained	Date of obtaining membership from other Professional Accountancy Organization
1					
2					
3					
4					
5					
6	Add / Delete rows as appropriate.				

2. Chartered Accountants Including Partners

(Do not include Consultant / Part Time Staff in this section.)

S. N.	Name	Position / Designation in Firm	Date of Obtaining CA Membership from ICAN	Name of Other Professional Accountancy Organization from which membership (If available) is obtained	Date of obtaining membership from other Professional Accountancy Organization
1					
2					
3					
4					
5					
6	Add / Delete rows as appropriate.				



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3. Trainees, Technical Staffs (Include Staff members not included in 1 & 2 above)

(Do not include Consultant / Part Time Staff in this section)

S.N.	Name	Position / Designation in Firm	Summary of Study / Training Ongoing / Any qualification, membership of professional accountancy organizations
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16	Add / Delete rows as appropriate.		

B. Experience of Firm in Completed Statutory Audit

(Do not include ongoing assignments)

[Only include the assignments which were completed by the firm in the latest 3 years period(Not the assignments carried out by other firms in which partners / others were associated)]

S.N.	Name of Statutory Audit Client	Fiscal Year
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15	Add / Delete rows as appropriate.	

C. Qualification / Experience of Proposed Staff

(Do not include Consultant / Part Time Staff in this section)

*Technical Proposal must accompany the detailed resume of the proposed team members.*

S. N.	Role	Name of Proposed Staff	Man-days Proposed	Position / Designation in the firm	No of Year of Experience in Audit
1	Engagement Partner				
2	Engagement Quality Control Reviewer				
3	Engagement Manager/Leader				
4	Senior Audit Associate				
5	Senior Audit Associate				
6	Audit Associate				
7	Audit Associate				

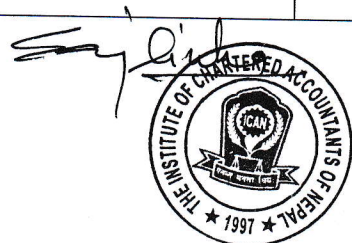
D. Experience of Proposed Team in Statutory Audit of Public Interest Entities (Public Companies, Government Owned Enterprises and Entities Established by Government as per Special Act)

S.N.	Name of Entity	Fiscal year
A.	Experience of Engagement Partner	
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15	Add / Delete rows as appropriate.	
B.	Experience of Engagement Quality Control Reviewer	
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15	Add / Delete rows as appropriate.	
C.	Experience of Engagement Manager	
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15	Add / Delete rows as appropriate.	
D.	Experience of Senior Audit Associate	
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5	Add / Delete rows as appropriate.	
E.	Experience of Senior Audit Associate	
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5	Add / Delete rows as appropriate.	
F.	Experience of Audit Associate	
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2	Add / Delete rows as appropriate.	
G.	Experience of Audit Associate	
1		
2	Add / Delete rows as appropriate.	

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