REF: IWMI/LKA/S006/2025

REQUEST FOR PROPOSALS (RFP) FOR EXTERNAL AUDIT SERVICES

1) INTRODUCTION

The International Water Management Institute (IWMI), is seeking qualified independent auditors, referred to as "Auditors," with extensive experience in auditing nonprofit organizations to conduct an external audit of its financial statements, as outlined in this Request for Proposal (RFP).

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS)[1], as applicable, and in compliance with relevant national laws and regulations. The audit shall be conducted in accordance with International Standards on Auditing (ISA) or other applicable professional auditing standards.

2) WHO WE ARE

The International Water Management Institute (IWMI) is an international organization that works on research for development, in partnership with governments, civil society and the private sector. IWMI works to solve water security problems through research by generating evidence, developing testing and scaling solutions, and supporting enabling environment developments in the Global South. Partnerships are critical in articulating the demand for the research, and in co-developing and scaling/implementing the solutions. These draw in multidisciplinary expertise from across the four strategic programs of Water, Food and Ecosystems; Water, Growth and Inclusion; Water, Climate Change and Resilience; and Water Data Science.

IWMI's vision, as reflected in the Strategy 2024-2030, is 'a water secure world'. IWMI's mission is 'research and innovation in partnerships for collective action that advance the transformation of water systems for sustainable, just and climate-resilient development'.

IWMI began operations in Sri Lanka in 1984 as the International Irrigation Management Institute (IIMI), subsequent to a memorandum of agreement signed between the Ford Foundation (acting on behalf of the IIMI support group) and the Government of Sri Lanka. IWMI was established on January 9, 1985, by Act No. 6 of 1985 of the Parliament of Sri Lanka. Being its constituent document, the IWMI charter was ratified by the government and recognized IWMI (previously known as IIMI) as an autonomous organization with international character, and granted the Institute certain privileges, including tax exemption.

Headquartered in Colombo, Sri Lanka, IWMI is a CGIAR Research Center with offices in India, Bangladesh, Pakistan, Nepal, Lao PDR, Myanmar, Uzbekistan, Ghana, Ethiopia, South Africa, Egypt, Italy, Zambia and Zimbabwe. The Institute receives support from various donor agencies and entities, including the CGIAR Trust Fund.

IWMI is a member of the CGIAR System Organization, a global research partnership for a food-secure future. The CGIAR System Organization is an international organization that, together with the CGIAR Trust Fund, advances international agricultural research for a food-secure future by integrating and coordinating the efforts of those who fund research and those who do the research. The CGIAR

[1]

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System Organization is comprised of the Integrated Program Board and the System Management Office, and the CGIAR Research Centers are members of the CGIAR System.

IWMI– Financial Status

You can access the Financial Statements and Report of Independent Auditors for the Year Ended 31 December 2024 through this link: Financial Statements.

The table below presents the expenditure for 2024 by the IWMI country office.

Country Office	2024 Expenditure US$ Thousands
Pakistan	5,192
Uzbekistan	332
India	4,409
Nepal	1,730
Myanmar	178
Laos	1,603
South Africa	7,018
Ghana	1,484
Ethiopia	4,383
Egypt	3,362
Italy	487
Sri Lanka	18,655
Total	**48,833**

3) SCOPE OF WORK

a) The primary objective of the external audit is to express an independent opinion on whether the financial statements of IWMI present a true and fair view of the financial position as of 31 December as well as the outcomes of its operations and cash flows for the year that ended at that time.

b) The audit will include, but is not limited to, the following:
- Conduct a thorough examination of the statement of financial position, statement of activities and other comprehensive income, statement of changes in net assets, statement of cash flow and accompanying notes.
- Evaluate the effectiveness of internal control systems to ensure financial records' accuracy, completeness, and reliability.
- Assess compliance with relevant laws, regulations, donor requirements, and organisational policies and procedures including Financial Guideline 3 (FG3).

c) During the engagement, the auditor(s) should report:
- Any significant or unusual transactions that IWMI has entered that management, and the Board of Governors should be informed of.
- Any internal control deficiencies that are of sufficient significance to warrant the attention of the management and Board of Governors.
- Any disagreement with management regarding matters that are material to the organisation's financial statements.
- Any lack of compliance with IWMI's financial management and controls policy.

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- Any lack of compliance with financial or other relevant legislation; and
- Any lack of accountability in using and managing IWMI's assets.
- Recommendations for improving internal controls and financial practices.
- Assessment of fraud risks, potential financial irregularities, and any indicators of mismanagement.

d) Any such instances should be reported in an audit management letter.

4) TERM OF ENGAGEMENT

Each CGIAR Center will enter into an individual engagement letter with the audit firm selected through the centralized evaluation process. The successful firm will be appointed as IWMI's auditor for an initial term of one year, commencing from the audit of the 2025 financial statements. Renewal for subsequent years, up to a maximum of seven years, is contingent upon approval by the Audit, Finance, and Risk Committee (AFRC). Renewal decisions will be based on the firm's demonstrated satisfactory performance, compliance with audit standards, and alignment with IWMI's audit objectives and requirements. IWMI reserves the right to request proposals at any time after the first year of the contract if the appointed auditor does not meet the terms of the contract.

In case of a transition to a new audit firm, the outgoing auditor must ensure a smooth handover, including providing access to prior year working papers, responses to inquiries, and a structured transition plan. Centers may conduct an independent peer review of the audit firm's performance after three years to ensure audit quality.

Shortlisted respondents are first notified and then scheduled to present their proposals orally. These presentations take place at the IWMI HQ, where the Audit Selection Committee invites the Audit, Finance, and Risk Committee (AFRC) Chair to attend and observe the process. Following the presentations, the final selection of an external auditor is made. This selection is then presented to the Audit, Finance, and Risk Committee (AFRC) and the IWMI Board of Governors for their recommendation and approval. The chosen audit firm is subsequently informed of their selection.

5) EXPECTED DELIVERABLES

The selected auditing firm will be required to deliver the following:

a) Detailed Audit Plan
   - Provide a comprehensive audit plan outlining the methodology, timelines, and key audit procedures.
   - Detail the scope of testing for financial statements, compliance, and internal controls.

b) Draft Audit Report
   - Submit a draft audit report for review, including preliminary findings and recommendations.
   - Engage in discussions with management to address any issues identified.

c) Final Audit Report
   - Deliver a final audit report incorporating management responses and adjustments in a format consistent with generally accepted auditing standards
   - Include an unqualified or qualified opinion with a clear rationale, if necessary.

d) Management Letter
   - Submit a management letter highlighting any internal control weaknesses and providing recommendations for improvement, and management's response to any identified concerns.

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e) Presentation to IWMI Management and Audit, Finance and Risk Committee (AFRC)
   - The auditor will formally present the final audit report and management letter to IWMI management and the Audit, Finance and Risk Committee (AFRC), ensuring that the stakeholders fully understand the audit outcomes, significant issues, and proposed actions for addressing identified risks or weaknesses. This presentation should include an opportunity for discussion and questions.

6) MINIMUM QUALIFICATIONS FOR AUDITORS

To be eligible for consideration, auditing firms must meet the following minimum qualifications:

- Must be a member of an internationally recognized public accounting firm.
- Presence of offices in headquarters jurisdiction.
- Experience in audit of not-for-profit organizations/international organizations/enterprises reporting according to International Financial Reporting Standards;
- Adequate number of partners and professional staff; partner-staff ratio, ability to substitute staff at similar levels of qualifications and experience if necessary;
- The firm must have adequate specialization in IT Audit, Enterprise Risk Management.
- Feedback on performance from other clients.

7) PREPARATION OF PROPOSAL

a) The format outlined in Annex A must be followed. Each section (I-X) must be labelled in conformity with the title used in Annex A.
b) The firm's proposal should be written in English.
c) Please provide a concise technical proposal, limiting the proposal, including exhibits, to no more than 25 pages in length using Microsoft Word or a similar format, font size 11pt., and margins no smaller than one inch.
d) The financial proposal will be presented using Microsoft Excel or a similar format. The financial proposal should include the following line items: consultant time, resources, and travel, if applicable; the audit fee payment terms; the conditions under which you may request variations in the fixed fee; and the basis on which fees will be determined in future years.
e) The financial proposal will be presented in US dollars.

8) EVALUATION CRITERIA

The evaluation process to determine the successful firm will incorporate qualitative and quantitative elements. As a general framework, all proposals put forth by the firms will be assessed based on the overall value they contribute to the initiative. Although cost is an important factor in the evaluation criteria, it will not be the only deciding factor.

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ANNEX A

I. Executive Summary

This section will provide a concise overview of the proposal's main points. The summary should encompass the proposed timeline for implementation and cost estimates, along with a concise overview of your firm's unique attributes compared to other firms under consideration. It should also explain why selecting your firm would be optimal for IWMI.

II. Firm Profile

Introduce the audit firm and the audit team, emphasising the capability and expertise of the firm and its team members. Highlight the firm's reputation, core values, and commitment to high-quality audit services. Please provide an overview of the team's structure, including the roles and responsibilities of each member, and emphasize their collective experience and skills.

III. Related Client Experience

Provide a detailed description of the audit firm's history and experience, particularly in auditing non-profit organizations. This section should outline the firm's background, years of operation and significant milestones. Emphasize the firm's experience with recent, relevant audits similar to the one being proposed.

Include at least five client references, complete with contact names, addresses, and telephone numbers. These references should reflect the firm's track record in delivering high-quality audit services to non-profit organizations.

IV. Demonstration of Understanding of the Scope and Complexity of the Work Required

The proposal must demonstrate a comprehensive understanding of the scope and complexity of auditing IWMI's financial statements. This includes addressing the following aspects:

1) Handling Geographically Dispersed Offices:
   The audit plan should outline how the firm manages IWMI's geographically dispersed offices. This includes strategies for conducting site visits (if required), ensuring consistency in audit procedures across locations, and leveraging technology for remote audits where applicable.
2) Interaction with Stakeholders:
   a) **Management:** Describe the proposed frequency and types of communication with **IWMI** management throughout the audit process. This should include regular updates, meetings to discuss audit findings and recommendations, and timely responses to management queries.
   b) **Audit, Finance and Risk Committee (AFRC) of the Board of Governors**: Outline the approach for engagement with the AFRC. Specify the frequency of planned interactions, such as pre-audit meetings, presentations of audit findings, and discussions of significant audit matters. Include value-added advisory services, such as insights on emerging risks or governance best practices, in the audit proposal.
   c) **Chair of the Audit, Finance and Risk Committee (AFRC)**: Recommend the involvement of the Chair of the AFRC in the annual audit. This may include participation in planning meetings, receiving direct communications on audit progress and findings, and facilitating discussions on audit outcomes with the Board.

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This proposal section should demonstrate the firm's expertise in navigating regulatory environments, adherence to accounting standards, and understanding the nuances of auditing within the non-profit sector.

V. Audit Plan

Provide a detailed explanation of the proposed audit plan. Include the following five sections:

- Scope
- Steps to be performed
- Expected involvement of IWMI's staff (financial and information services including estimated hours and tasks to be performed)
- Automated tools to be used
- Reporting and format

Discuss the definition of materiality as it applies to generally accepted accounting principles. How do you intend to measure materiality in the context of IWMI's current financial statement format?

VI. Proposed Audit Schedule

Provide a timeline that explains the steps from engagement to reporting, including proposed completion dates and estimated hours.

VII. Proposed Audit Team and Credentials

Provide detailed information about the staff who will be assigned to the IWMI's audit engagement, including names, related client experience, education, skills, licensing and credentials. For reference purposes, please provide the names and contact information of other clients of the partner and manager of similar size who will be assigned to our organization.

Clearly outline any services that will be outsourced, specifying the reasons for outsourcing and the qualifications of the outsourced service providers. This section should highlight the team's collective expertise and readiness to undertake the audit.

VIII. Audit Fee

The proposal must include a binding fee estimate for the audit engagement structured as follows, along with the approach to determine fees for subsequent years:

a) **Initial Fee Estimate:**
Provide a detailed breakdown of the fee estimate for the audit engagement, considering a materiality level of USD <Value> for comparability purposes. This should include a clear outline of the fee structure covering all phases of the audit process, including planning, fieldwork, reporting, and any additional advisory services proposed.

b) **Approach for Subsequent Years:**
Outline the approach to determining fees for each subsequent year of the audit engagement. This should include factors such as anticipated changes in scope, regulatory requirements, and any adjustments based on prior year audit outcomes or organisational developments.

For each engagement segment noted above, please provide a breakdown of the fees quoted by staff level, number of days and daily rate as follows:

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Staff Level	Number of Days	Daily Rate (In US$)	Total (In US$)
Senior Associate			
Manager			
Partner			
Other			
Senior Associate			

c) **Methodology for Establishing Materiality:**

Describe the methodology your firm typically employs to establish materiality. Considering the provided information, recommend an appropriate materiality level and justify this recommendation based on the audit scope, risk factors, and financial thresholds relevant to IWMI. This explanation should demonstrate your firm's understanding of materiality in audit contexts and its alignment with auditing standards and best practices.

IX. Transition

Comment on the impact to IWMI of the transition to a new firm, indicating the approach to be taken, time involved, handling of start-up costs, unanticipated events, and other extra costs. Indicate your requirements for access to working papers and cooperation with predecessor auditors.

X. Other Issues & Independence

The proposal should confirm that no known issues would compromise the firm's ability to maintain professional independence throughout the audit engagements with IWMI.

Additionally, the firm should identify any other potential issues that could prevent it from accepting IWMI as a client, assuming it is selected as a result of this evaluation process. This includes factors such as conflicts of interest, regulatory restrictions, or other circumstances that may impact the firm's ability to perform the audit objectively and per auditing standards.

XI. Bid Schedule and Dates:

The following schedule includes key milestones and associated completion dates and is provided primarily for planning purposes. The final work plan will be developed in consultation with the consultant.

Indicative dates	Milestone
04-Jul-25	RFP Launch
24-Jul-25	Deadline for bid clarifications
04-Aug-25	**Bid proposal submission deadline**
14-Aug-25	Joint Evaluation
15-Sep-25	Audit firm selected and informed

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XII. How to submit a proposal:

Please submit a technical proposal and a commercial proposal as two separate documents to Mr. Gamini Halvitige, Head of Finance , IWMI (via mail to **G.HALVITIGE@CGIAR.ORG**) and must be addressed to "Head of Finance, International Water Management Institute, 127, Sunil Mawatha, Pelawatte, Battaramulla, Sri Lanka". The proposal should be presented on a letterhead and include the bidder's name, address, and phone number as well as their official signature and stamp. Both documents can be attached to the same email.

All proposals must be received no later than 12 midnight on 04th August 2025 Only the electronically submitted proposals will be considered. Late submissions will not be considered.

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