ROYAL SOCIETY FOR PROTECTION OF NATURE (RSPN)
P.O. Box 325, Lhado Lam, Kawajangsa, Thimphu, Bhutan

TERMS OF REFERENCE

Outsourced Internal Audit Services

For two financial years: FY 2026 and FY 2027

Item	Details
Client	Royal Society for Protection of Nature (RSPN), Thimphu, Bhutan
Assignment	Internal audit services by an external audit firm (outsourced internal audit function)
Period covered	Two financial years: FY 2026 and 2027 (1st January to 31st December)
Procurement method	Open competitive bidding: technical and financial proposals in separate sealed envelopes (two-envelope system), evaluated by Quality and Cost Based Selection (QCBS)
Submission deadline	15th December, 2026
Opening of Technical Bids	16th December, 2026, in the presence of bidders who choose to attend. After completion of the technical evaluation and approval of the technical scores, the date, time and venue shall be notified to technically qualified bidders. Financial proposals of non-qualifying bidders shall remain un-opened.
Opening of Financial Bids	On the day announced by the evaluation committee after completion of the technical evaluation, but in presence only for those firms who qualify the technical scores and who choose to attend.
Contact	Namgyal Wangchuk, Chief-Administration and Finance, RSPN Email: nwangchuk@rspnbhutan.org Phone: +975 2 322056 / 326130

1. Background

The Royal Society for Protection of Nature (RSPN) was established in 1987 under the Royal Command of His Majesty the Fourth Druk Gyalpo as a citizen-based non-governmental organisation devoted to the conservation of the Kingdom's environment. RSPN works in species and habitat conservation (including the Black-necked Crane and the critically endangered White-bellied Heron), sustainable livelihoods, climate change adaptation and resilience, environmental education and advocacy, and water and waste management.

RSPN operates from its head office in Thimphu. Its programmes are funded by a mix of core funds, membership and fundraising income and grants from bilateral, multilateral and philanthropic partners. RSPN is accredited with the Adaptation Fund (AF) as a National Implementing Entity and serves as a Delivery Partner of the Green Climate Fund (GCF), among other partnerships. These roles require RSPN to maintain fiduciary, procurement, safeguards and oversight standards that meet both national requirements and the policies of its funding partners.

To strengthen governance, risk management and internal control, RSPN wishes to engage a qualified independent audit firm to provide outsourced internal audit services for two financial years. The firm will report functionally to the Audit Committee of the RSPN and administratively to the Executive Director. Functional reporting includes direct access to the Audit Committee Chairperson, submission of reports to the Audit Committee, and Audit Committee oversight of the audit charter/manual, risk-based audit strategy, annual audit plan and performance of the internal auditor.

2. Objectives of the Assignment

The overall objective is to provide independent, objective assurance and advisory services that add value to and improve RSPN's operations. Specifically, the internal auditor will:

1. Evaluate the adequacy and effectiveness of RSPN's governance, risk management and internal control systems.
2. Provide assurance on the reliability and integrity of financial and operational information and reporting.
3. Assess compliance with applicable laws and regulations of Bhutan, RSPN's policies and procedures, and the agreements and policies of its funding partners.
4. Review whether resources are acquired economically, used efficiently and effectively, and safeguarded against loss, misuse and fraud.
5. Identify control weaknesses and risks, and make practical, prioritized recommendations to management and the Audit Committee.
6. Follow up on the implementation of recommendations from internal audit, statutory (external) audit, donor audits and reviews.
7. Support RSPN in meeting the oversight requirements attached to its accreditation and partnership commitments.
8. Assess the effectiveness of governance, accountability and oversight arrangements, including implementation of Board and committee decisions, management accountability and compliance with approved delegations of authority.

3. Scope of Work

The internal audit will be risk-based and cover RSPN's head office, field offices and all programmes and projects, whatever the source of funding. The firm will cover the following areas over the two-year period, with frequency and depth set by the approved risk-based audit plan.

3.1 Governance, risk management and ethics (RSPN SRR-2020)

- Board and committee processes, delegation of authority and segregation of duties.
- Human Resource/Workforce Management (Recruitment, Performance, Learning and Development and Benefits)
- Risks management- How risks are identified, assessed and monitored.
- Code of conduct, conflict of interest declarations, whistleblowing and complaints Redressal Mechanism System
- Compliance to AML/CFT rules and regulations of RMA and RSPN Policy.
- Review related-party transactions, fraud risk assessment and fraud prevention controls, and the implementation of Board and committee decisions.

3.2 Financial management and accounting

- Check and Balance System, Internal Control Mechanism, Delegation of Financial Power)
- Accounting system, chart of accounts, books of account and period-end closing.
- Bank and cash management: bank reconciliations, cash handling, advances to staff and their timely settlement.
- Budgeting, budget monitoring and variance analysis, at organization and project level.
- Accuracy and timeliness of financial reports to management, the Board and funding partners.
- Review revenue, where applicable, outstanding receivables and payables, and reconciliation to the general ledger
- Accounting under the applicable Bhutanese Accounting Standards (BAS for SMEs)

3.3 Grants and project financial management

- Compliance with grant agreements, approved budgets, eligible-cost rules and reporting requirements of each funding partner.
- Fund segregation and cost allocation including grant income recognition, deferred grant balances where applicable, foreign currency transactions, and reconciliation of project reports to the general ledger.
- Co-financing records, where required by funding partners.
- Sub-grants and implementing partners, if any: selection, agreements, fund transfers, monitoring and release of funds.

3.4 Procurement and contract management (RSPN PRR (Revised) 2022

- Compliance with RSPN's procurement policy, partner procurement rules and applicable national procurement requirements that includes assessing economy, efficiency, transparency and value for money.
- Procurement planning, competitive processes, evaluation, award and contract management.
- Consultancy contracts, works and goods procurement, and payments against deliverables.

3.5 Human resources and payroll

- Recruitment, appointment, transfers, staff records and contracts.
- Payroll preparation, allowances, leave, provident fund and gratuity, and statutory deductions.
- Travel, daily subsistence allowance (DSA) and per diem claims.

3.6 Fixed assets, inventory and vehicles

- Fixed asset register, tagging, physical verification and disposal.
- Inventory and stores management.
- Vehicle use, logbooks, fuel and maintenance.

3.7 Tax and statutory compliance

- Compliance with the Income Tax Act of Bhutan, including tax deducted at source, personal income tax withholding and timely deposit and filing.
- Goods and Services Tax obligations, where applicable.

- Compliance with the Civil Society Organizations Act of Bhutan and the requirements of the CSO Authority, and other relevant laws.

3.8 Information technology

- IT general controls: access management, data integrity, backup and recovery, and cybersecurity.
- Controls over the accounting and other key information systems.

3.9 Environmental and social safeguards and programme controls

- Application of RSPN's environmental and social safeguards, gender and grievance-redressal policies, as required by funding partners.
- Controls over programme implementation and monitoring data that support reports to partners.
- Assess whether reported programme outputs and outcomes are supported by verifiable evidence and whether monitoring data are complete, accurate and reliable

3.10 Field offices

- Each field office should be visited at least once during the two-year period, with frequency based on risk. Visits should cover cash collections, donations, procurement, assets, project activities and documentation.

3.11 Follow-up and special assignments

- Follow-up of the status of all open audit recommendations, at least quarterly.
- Special reviews or investigations requested by the Audit Committee or Executive Director. The scope and fee for these will be agreed separately.

Exclusion: The internal auditor will not perform management functions, approve transactions, or take part in preparing the financial statements, so that its independence is preserved.

4. Approach, Methodology and Standards

1. The work shall be carried out in accordance with the Global Internal Audit Standards issued by The Institute of Internal Auditors (IIA), and applicable professional and ethical requirements.
2. At the start of the engagement, the firm will study RSPN's structure, policies, risk register, previous audit reports and funding agreements, and prepare a two-year risk-based internal audit strategy and a detailed annual audit plan for approval by the Audit Committee. The plan shall identify audit priorities, scope, resource requirements and proposed coverage of head office, field offices, and projects. Any material change to the approved plan shall require prior Audit Committee approval.
3. Fieldwork will use walkthroughs, tests of controls, substantive testing on a risk-based sample, data analytics where practical, physical verification and interviews.
4. Each finding will be rated by risk (High, Medium or Low) and will set out the condition, criteria, cause, effect/risk, recommendation, management response, responsible officer and target date.
5. Draft findings will be discussed with the responsible managers before reports are finalized.
6. The firm will keep working papers to professional standards. RSPN, its statutory auditor and funding partners may review them on request, subject to confidentiality.

5. Deliverables and Reporting Timeline

The following deliverables and timelines must be completed for each contract year. The table below represents deliverables for 2027 only*

No.	Deliverable	Content	Timing
1	Quarterly internal audit reports	Findings with risk ratings, recommendations and agreed management actions; audit progress against the approved plan; outstanding recommendations; executive summary for the Audit Committee	Within 30 days after the end of each quarter or as approved by the Audit Committee.
2	Field office audit reports	Findings from field visits	Within 3 weeks of each visit, or included in the quarterly report
3	Annual internal audit report	Summary of work performed against the approved plan; significant findings and trends; assessment of overall opinion on governance, risk management and control; summary of key issues and trends; performance against the plan within the scope and evidence obtained; unresolved high-risk issues; and management action status	Within 45 days after the end of each financial year
4	Presentations to the Audit Committee	Presentation of reports and key issues	At each Audit Committee meeting (at least half yearly) and additionally or on request
*Note: for the financial year 2026, the internal auditing firm shall carry out audit for the period 1st January 2026 to 31st December 2026 within March 2027.			

All reports shall be submitted to the Executive Director, RSPN. The firm shall immediately report to the Chairperson of the Audit Committee any suspected fraud, irregularity or significant control failure identified during the work.

6. Eligibility and Qualifications

6.1 Eligibility of the firm

- Be an audit firm empaneled with RAA, with a valid trade license.
- Hold a valid tax clearance certificate from the Department of Revenue and Customs.
- Have at least two years of experience in internal audit, statutory audit or financial review assignments.
- Must not be RSPN's statutory (external) auditor during the contract period.
- Must not be debarred or blacklisted by any government agency or development partner.
- Consortia or associations or outsourcing with other firms are not permitted.

6.2 Key personnel

Position	Minimum qualifications and experience	Role
Engagement Partner	Professional accountancy qualification or internal audit (CA, CPA, ACCA or equivalent); at least 10 years of post-qualification audit experience.	Overall responsibility, quality control, sign-off and Audit Committee reporting
Team Leader / Audit Manager	Professional qualification (Master in Professional Accounting or equivalent)	Planning, supervision of fieldwork, drafting reports
Audit staff (at least 1)	Degree in commerce, accounting or finance	Fieldwork and testing, including field office visits

Knowledge of Bhutanese laws (tax, CSO, labour and procurement), Bhutanese Accounting Standards and the fiduciary and safeguards policies of multilateral climate funds will be an advantage. Key personnel named in the proposal may not be replaced without RSPN's written approval of a replacement with equal or better qualifications.

7. Responsibilities of RSPN

- Give the internal auditor unrestricted access to records, systems, personnel, properties and field offices relevant to the engagement.
- Nominate a focal person to coordinate the audit and arrange meetings and documents.
- Provide copies of policies and manuals, organizational charts, funding agreements, budgets, financial statements and previous audit reports.
- Provide reasonable office space at the head office during fieldwork.
- Ensure management responds to draft findings within 15 working days and implements agreed actions.
- RSPN bears travel and accommodation costs for field visits.

8. Independence, Confidentiality and Ethics

- The firm and its team shall remain independent of RSPN management throughout the engagement and shall sign a declaration of independence and absence of conflict of interest at the start of each year.
- All information obtained shall be kept strictly confidential and used only for this assignment, during and after the contract.
- All reports and documents prepared under this contract become the property of RSPN.
- The firm shall comply with RSPN's code of conduct, safeguarding and anti-fraud policies, and with the professional code of ethics.

9. Contract Duration, Fees and Payment

- The contract will cover two financial years (FY 2026 and FY2027). It will be signed for the full period, or renewed annually, subject to satisfactory performance assessed by the Audit Committee at the end of each year.
- Fees will be quoted as a fixed annual lump sum in Ngultrum (Nu.) for each of the two years, covering all professional fees, except field travels to be borne by RSPN.
- Payments will be made against accepted deliverables on a quarterly basis (for 2027 only).

- All payments are subject to tax deduction at source and other applicable taxes under the laws of Bhutan.
- RSPN may terminate the contract for unsatisfactory performance, breach of independence or confidentiality, or other grounds stated in the contract.

10. Instructions to Bidders

10.1 Bidding procedure

- RSPN invites sealed technical and financial proposals from eligible audit firms meeting the criteria in Section 6. Proposals will be evaluated by Quality and Cost Based Selection (QCBS) as set out in Section 11.
- RSPN may issue addenda to this ToR before the deadline. Addenda will be published on the RSPN website and will form part of the bidding documents.
- Each bidder may submit only one proposal. A firm that submits or takes part in more than one proposal will be disqualified.
- The bidder bears all costs of preparing and submitting its proposal. RSPN is not liable for these costs, whatever the outcome.

10.2 Content of the technical proposal (Envelope 1)

The technical proposal must not contain any price or fee information. Any proposal that discloses financial information in the technical envelope will be rejected. The technical proposal shall include:

1. Covering letter (technical submission form) addressed to the Executive Director, RSPN, signed by an authorized partner, stating the proposal validity.
2. Copies of the valid trade license and tax clearance certificate.
3. Firm profile.
4. Experience.
5. Understanding of the assignment, with comments on the ToR, if any.
6. Proposed approach and methodology, including the risk assessment approach, the two-year audit coverage, sampling and testing, field office coverage, reporting and quality assurance.
7. Work plan and staffing schedule, showing the person-days of each team member by year and by deliverable.
8. Signed CVs of the key personnel in Section 6.2, with copies of professional qualifications and a statement of availability for the contract period.

10.3 Content of the financial proposal (Envelope 2)

1. Financial submission form, signed by an authorized partner.
2. A fixed lump-sum fee in Ngultrum (Nu.) for each of the two years and the total for two years, broken down by deliverable and showing person-days and rates for each team member.
3. A statement of the out-of-pocket expenses to be excluded in the fee as the field travels are to be borne by RSPN.

Fees shall be quoted inclusive of all applicable taxes and duties, including GST if registered. The quoted fees shall remain fixed for the contract period. Arithmetical errors will be

corrected as follows: where there is a difference between unit rates and totals, the unit rate will prevail; where there is a difference between words and figures, the words will prevail.

10.4 Submission

The technical and financial proposals shall be sealed in separate envelopes marked "Technical Proposal" and "Financial Proposal" respectively. Each envelope must show the name of the assignment and the bidder's name and address. Both envelopes shall be placed in an outer sealed envelope marked:

"Proposal for Outsourced Internal Audit Services, FY 2026 and 2027"

Submit the proposal to the address below no later than 15th December 2026, on or before 5 PM. Late proposals will be returned unopened.

Address: The Executive Director, Royal Society for Protection of Nature, P.O. Box 325, Lhado Lam, Kawajangsa, Thimphu, Bhutan.

11. Evaluation and Selection

11.1 Preliminary examination

An evaluation committee appointed by RSPN will first check each technical proposal for completeness and compliance with the eligibility requirements in Section 6.1 and the mandatory documents in Section 10.2. Proposals that do not meet these requirements will be rejected and not evaluated further.

11.2 Technical evaluation

Responsive technical proposals will be scored out of 100 points against the criteria below. Only proposals scoring at least **70 points** will qualify for opening of the financial proposal.

No.	Criterion	Maximum score
A	Experience of the firm - General audit and assurance experience (5) - Internal audit assignments in the last five years (5) - Audits of NGOs/CSOs and donor-funded projects, including multilateral climate funds (5)	15
B	Approach, methodology and work plan - Understanding of the assignment and RSPN's risks (15) - Risk-based methodology and two-year coverage, including field offices (20) - Work plan, staffing schedule and quality assurance (5)	40
C	Qualifications and experience of key personnel - Engagement Partner (20) - Team Leader / Audit Manager (15) - Audit staff (5)	40
D	Knowledge of Bhutanese laws, standards and context (tax, CSO, procurement, Bhutanese Accounting Standards)	5
	Total technical score (St)	100

11.3 Financial evaluation

Financial proposals of technically qualified bidders will be opened in public on a date notified to them. The financial proposals of bidders that did not qualify will be returned unopened. The evaluated price is the total two-year lump-sum fee after arithmetical correction. The lowest evaluated price (Fm) receives a financial score of 100. Other proposals receive a financial score (Sf) calculated as:

Sf = 100 × Fm / F, where F is the evaluated price of the other proposal/s being scored.

11.4 Combined score and award

The combined score (S) will be calculated as:

S = (St × 0.80) + (Sf × 0.20)

RSPN will notify the successful bidder and sign the contract within 14 days of the notification.

11.5 General conditions

- RSPN reserves the right to accept or reject any or all proposals, or to cancel the bidding process at any time before award, without liability to bidders and without giving reasons.
- Any attempt by a bidder to influence the evaluation, or any corrupt, fraudulent, collusive or coercive practice, will lead to rejection of its proposal and may lead to debarment.
- Bidders may seek clarification of the outcome or lodge a complaint in writing with the Executive Director within [seven] days of the notification of intention to award.