

AUDITING CONTRACT

concluded between

(Legal Holder of the Project)
and

(Certified/Certified Public/Chartered Accountant(s)) -
hereinafter called "the auditor" -

on the auditing of

Project No.: _____

Project Title: _____

Please note: this contract is equally applicable to projects of Katholische Zentralstelle für Entwicklungshilfe e. V. (Catholic Central Agency for Development Aid, regd.; hereinafter called "KZE"), which are financed from public funds of the Federal Republic of Germany, as well as to certain projects of Renovabis – solidarity action of the German Catholics with the people in Central Europe and East Europe, (hereinafter called "Renovabis"), which are financed from Church funds.

This contract shall be made out in three copies, one of which shall be sent to KZE or Renovabis (please see also item 6).

1. Purpose of the Contract

In accordance with the Project Contract, which forms the legal basis of the above-mentioned project, the purpose of this auditing contract is to furnish KZE or Renovabis with objective proof of the proper and correct use of the funds made available to the project, based above all on a thorough examination of all accounts. Therefore the two above-mentioned parties hereby agree on an audit to be carried out as stated in the following.

2. Scope and Location of Auditing

The auditing shall be conducted at the location of the Legal Holder's registered offices where the project bookkeeping is done. As a rule, auditing shall be conducted every six months. The auditor's assignment shall include the following tasks:

1. to examine the propriety of project accounting operations and their conformity with the Project Contract in all its parts as well as with relevant national regulations;
2. to examine the tools and procedures of internal control;
3. to examine the bank account opened especially and exclusively for the project, and any further bank accounts of the project which may be necessary (e. g. for repayments of loans);
4. to examine whether the person(s) enjoying power of disposal over the project bank account is/are the same or among those officially authorised to represent the Legal Holder of the project;

5. to examine whether there have been any changes regarding staff enjoying authorisation to represent the Legal Holder of the project;
6. to examine all incoming grant disbursement transactions, including especially accuracy and completeness of records and evidence of exchange transactions from foreign into national currency;
7. to examine the various project bookkeeping accounts with their supporting documents of receipts and payments in the national currency; to verify whether a clear distinction has been maintained between amounts actually paid out at the point of time when the accounting period ends and payments not yet effected but to be recognised as expenditure for the same period on the basis of the obligations incurred (payments according to a receipts and payments account versus expenditure based on accruals concept);
8. to examine whether the local and/or third-party contributions to be provided as part of the project have actually been received, duly shown in the books, and properly used for the financing of project expenditure; to verify information on income which was due but was actually received after the end of the period under review from local and third-party contributions, if any; as to local contributions, only those made in monetary terms should be shown. Where non-monetary contributions (e. g. voluntary labour, contributions in kind) have been provided, these should be shown separately;
9. to examine whether any credit interest was gained from disbursements of KZE and/or Renovabis and/or any third party, and if so, whether the interest thus gained was properly used for the financing of project expenditure;
10. to examine the inventory of all movables of a value exceeding EUR 410.00 (excluding local value-added tax) and purchased with money from project funds; to examine compliance with their project-tied use within the periods stipulated in the General Agreement (only applicable to projects funded through KZE);
11. if immovables were purchased or buildings erected as part of the project, to examine evidence of ownership or of right of disposal, and to find out whether any encumbrances or obligations to third parties were created; also, to examine whether they are being used for the project purpose for which they were destined;
12. to examine whether, in the case of sales and building contracts (of a value exceeding EUR 500.00 excluding value-added tax, in the case of building contracts in accordance with the additional documents enclosed with the project contract) tenders were invited (at least three, informally, for example via telephone or internet) and received, thus documenting the economical and efficient use of funds made available for purchasing or construction purposes; whether the award process was documented; if no tenders were obtained, the reasons shall be explained in the auditor's report;
13. to examine whether any reserves have been created from funds disbursed and if so, whether the consent of KZE or Renovabis to do so has been obtained; to examine on completion of the project whether these reserves have been dissolved and duly used for project purposes;
14. to examine whether any depreciation or imputed costs, which are no actual payments in the sense of a receipts and payments account, have erroneously been included in the Statements of Receipts and Payments submitted to KZE or Renovabis;
15. to examine staff payrolls and lists of professional fees paid with regard to their being in accordance with the project contract and the employment contracts and fee contracts concluded as well as with the rules regarding payment of taxes and social security contributions;
16. in the case of education and training courses, to examine the relevant invoices, bills, receipts (covering professional fees, food, accommodation, transport etc.) and also the lists of participants;

17. statement regarding which of the above-mentioned items were examined individually and on which items statements were made regarding the failure to comply with regulations and requirements as stipulated in the project contract.

3. Auditing of Final Statements

Within three months after completion of the project, the audit report shall be prepared showing separately all periods under review as well as providing a consolidated overall picture. The report shall include an inventory of all equipment, furnishings and other items of property that were purchased.

4. Auditing Procedure

The auditing shall be conducted in accordance with this contract and the relevant national regulations as well as internationally recognised auditing standards (ISA 800 Revised).

5. Auditor's Report

The written audit report shall include the following:

- statement explaining criteria and scope as well as duration and location of the auditing conducted;
- statement as to scope of the auditing with regard to Art. 2. of this contract (cf. above); statement as to deviations, if any;
- schedule of verified receipts and payments: to show initial balance plus all receipts obtained itemised according to Section 4. *Financing plan* of the Project Contract, as well as credit interest gained, if any, unforeseen donations etc.; payments to be itemised according to the *Detailed Breakdown of the Cost Plan* (Appendix to Project Contract), or, if this was not provided, according to Section 3. *Cost plan* of the Project Contract; the final balance to be in a consolidated form;
- statement as to correct and proper accounting;
- statement as to compliance with the Project Contract in all its parts, as well as compliance or variance with the recommendations of previous audit reports, if any; statement to the effect that all receipts and payments correctly relate to the project (or don't), and are (or are not) correct with regard to the calculations involved;
- if the report is a qualified one, the reasons for the qualification shall be explained;
- further points according to individual agreement, if any:

6. Addressees of the Auditor's Reports

The auditor shall take all steps necessary to ensure the secret and confidential nature of all information he/she may acquire under the provisions of this contract. He/she shall make available his/her findings and report only and exclusively to the Legal Holder of the project and Katholische Zentralstelle für Entwicklungshilfe e. V. (the Catholic Central Agency for Development Aid) or Renovabis e. V. (Renovabis – solidarity action of the German Catholics with the people in Central Europe and East Europe) and send them a copy of the audit report directly and without delay.

¹ SEPA= Single Euro Payments Area ZE
015-0617 E

7. Audit Costs and Remuneration

The auditor shall receive from the Legal Holder of the project the amount of including value-added tax in accordance with the applicable national law as a comprehensive remuneration for his/her services. This amount shall cover all fees and expenses incurred by the auditor. The auditor's remuneration shall be financed from the funds made available to the project. The auditor is responsible him-/herself for the declaration and payment of taxes.

8. Miscellaneous Provisions

Any alteration to this contract requires prior consent from KZE or Renovabis and must be made in writing.

Place and date

For the Legal Holder of the Project (signature)

Place and date

The Auditor (signature)