

EXTERNAL FINANCIAL AUDIT

Terms of Reference (ToR)

1. INTRODUCTION

Caritas Ukraine on behalf of Caritas Spain Charitable Foundation, Caritas Vienna Charitable Foundation, Kinder Mission (hereinafter referred to as donors) ask you to conduct a financial audit on the project "National Network of Child and Family Centers", which is funded Caritas Espanola, located at Calle Ambajadores 162, 28045 Madrid, Spain, Caritas Vienna, at Albrechtskreithgasse, 19-21, A-1160 Vienna, Austria, KinderMissionWerk, Die Sternsinger 'eV), located at Stephanstraße 35, 52064 Aachen, Germany, which cooperate with International Charitable Foundation Caritas Ukraine (hereinafter implementing partner organization), legal address: str. Ozarkevycha, 4, Lviv, 79016, Ukraine

2. PROJECT DETAILS

- a) Project number and official project title: **16 100 26 (180438036)**, «**Strengthening capacities of vulnerable children and contribution to child protection through National Network of Child and Family Centers**», short title **National Network of Child and Family Centers**.
- b) Project period: **3 years / 01.01.2019 – 31.12.2021**.
- c) Project budget:
- in year 2019 (including contributions of the donors and own contributions of 12 local centers): 395 300 Euro,
 - in year 2020 (including contributions of the donors and own contributions of 11 local centers): 315 727 Euro,
 - in year 2021 (including contributions of the donors and own contributions of 10 local centers): 291 774,80 Euro
- d) Brief project description:
- Partner organization in Ukraine: Caritas Ukraine International Charitable Foundation (hereinafter - Caritas Ukraine).
 - Performing organizations at the local level: Charitable Foundation Caritas Boryslav, Charitable Foundation Caritas Brody, Charitable Foundation Caritas Volyn, Charitable Foundation Caritas Kamianske, Charitable Foundation Caritas Kolomyia, Charitable Foundation Caritas Odessa, Charitable Foundation Caritas Poltava, Charitable Foundation Caritas Severodonetsk (only in 2019, 2020), Charitable Foundation Caritas Stryy (only in 2019), Charitable Foundation Caritas Kharkiv (only in 2019), Charitable Foundation Caritas Chernivtsi (only in 2021), hereinafter local centers.
 - Direct beneficiaries of the project: vulnerable children (6-17 years old) and their parents / guardians. The project envisages reaching 1,125 children (approx. 75 in each center per year), of whom 50% boys, 50% girls, and about 600 parents / guardians (approx. 35 people in each center per year).
 - The overall goal of the project is to promote a dignified life of vulnerable children in society by providing regular group and individual socio-pedagogical and psychological services to children and their parents on the basis of a network of centers for children and families in 13 cities of Ukraine. The project envisages an annual reduction in the number of centers, as well as increasing own contributions of local centers to cover part of their project costs.

3. OBJECTIVES AND TASKS OF THE AUDIT

1. to conduct a financial audit of the above project by the method of audit sampling in accordance with the financial recommendations of the donors
2. to provide a professional opinion by an external independent auditor on the quality of processes and accounting practices within the audited organisation and specifically as applied within the project at hand
3. to independently verify that the project mentioned above has been implemented in compliance with the requirements of the following documents of reference:
 - **Legislation:** National legislation, with particular attention to:
 - o Respective social and labour law (including staff and salary regulations).
 - o Regulations on VAT and other taxes.
 - **International standards:**
 - o ISA - *International Standards on Auditing*
 - o IFAC – *International Federation of Accountants*
 - o Relevant standards of the local accounting profession
 - o Local legislation on accounting and reporting
 - **Project:** Cooperation agreements relative to the project or to the partner organisation, Project Documents, Terms of Reference (TOR), Budgets, plans of project activities.
 - **Accounting:** Accounting documents subject to the financial audit, financial and operational reports concerning the project.
 - **Auditor:** The present terms of reference and the related mandate for financial audit.

The tasks are as follows:

- checking the reliability of financial management and accuracy of accounting on the basis of original vouchers;
- audit of accounts based on original vouchers and cancellation of original vouchers;

- audit of the plausibility of expenditures, the distribution of expenditures on the relevant budget items and the duration of the project;
- verification of compliance of expenditures with budget items, project duration;
- verification of the provision of a real financial picture in the submitted reports and that there is a clear reconciliation between accounting records, original vouchers and financial data included in the project reports;
- verification of compliance with relevant national social and labour legislation (including staff and salary regulations), **regulations on VAT** and other taxes;
- verification of proper application of current procurement legislation;
- providing information on project revenues, including donor contributions, bank interest and an indication of the exchange rate used;
- checking the clarity and compliance of the specified costs of each financial (bank, cash) transfer.

Each financial statement must contain a clear description of cash flows, certified by currency exchange receipts and bank statements. It should be clear from the accounting and audit of the accounts that the costs are covered by the revenue and verified in such a way that there is no duplication of funding from external funding bodies.

In general, the period from 01.01.2019 to 31.12.2021 is subject to audit. The total direct costs in year 2019 are approx. 369,570.00 EUR, in year 2020 - 295,000.00 EUR, in year 2021 - 273,000.00 EUR. Indirect costs are not subject to audit (total amount).

Only expenses incurred in Ukraine are subject to verification.

4. MANAGEMENT SUPPORT

Caritas Ukraine will provide the external auditor with the following materials and sources for verification:

- ToR for external audit
- Memorandum of Understanding and Agreements on Cooperation between Donors and Caritas Ukraine.
- Agreements on joint implementation of the project between Caritas Ukraine and local centers.
- Project budgets in 2019, 2020 and 2021.
- Reports on financial revenues and use of funds for the project, including a complete list of costs
- Original vouchers / receipts
- Access to information related to bank and cash reports
- Access to the used bookkeeping system
- Any other documents required by the auditor to perform their tasks
- Project managers, accountants and project staff will be open to collaboration with the auditor.

Contacts of Caritas Ukraine

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5. NECESSARY CONDITIONS

- The auditor should not be involved in accounting transactions
- The auditor should not be personally associated in any way with the organization he or she is auditing
- The auditor must be an audit company registered in Ukraine
- Audits must meet international auditing standards
- The audit report must be prepared in English and Ukrainian

6. REPORTING

The expert auditor must prepare an audit report that clearly states:

- Contractual organization (Caritas Ukraine)
- Names of local organizations and contact details
- Number and name of the project
- Reporting period and currency
- Exchange rates used in the report on the financial project (to Euro or to the official project currency, as indicated in the project budget), with detailed explanation of their calculation
- The total amount of budget revenues and expenditures, with differentiation between direct and indirect costs, as indicated in the official project budget
- The total amount of budgeted and actual income and expenses
- **Indication on treatment of taxes and especially VAT**
- Remarks on unaccepted vouchers in the form of financial and audit reports
- Final balance (including cash, bank and other assets, such as advances and outstanding checks)
- Complete list of project funds, including donor names, dates and exchange rates
- Comments on unaccepted vouchers
- References to contact persons / sources of information from the implementing partner organization during the audit
- Indication of documents of reference for audit execution
- Name, position, address, telephone, fax and e-mail of the auditor
- Date, signature and permission of the auditor

The financial report should consist of a detailed list of expenditures (according to budget items and budget / expenditures). A draft audit report is to be sent to Caritas Ukraine and Caritas Vienna via email. A final audit report is to be prepared after the feedback to the draft provided by Caritas Ukraine and Caritas Vienna. Hard copies of contract and audit reports must be submitted to Caritas Ukraine.

Place and date

Signature of the auditor _____