

**EXPENDITURE VERIFICATION / AUDIT
of projects, co-financed by Austrian Development Agency
TERMS OF REFERENCE (ToR)**

1. INTRODUCTION

Caritas Austria is an international NGO implementing activities in the fields of emergency relief and rehabilitation as well as development cooperation, in countries struck by conflicts or natural disasters. Caritas Austria has been supporting projects in Ukraine for the past 22 years, addressing social needs like care for children and youth, programmes for women and the integration of IDPs, elderly care, support of persons with disabilities, agricultural projects, etc.

With the current programme "Strengthening Health, Community Resilience and Livelihoods in Donetsk and Luhansk oblasts (2768-02/2020)", Caritas puts the focus on vulnerable conflict-affected HHs along the contact line in government and non-government controlled areas and supports them in improving their health and resilience and in recovering their livelihoods.

2. BACKGROUND OF THE PROJECT *

- a) Back donor's contract number and official project title: 2768-02/2020 "Strengthening Health, Community Resilience and Livelihoods in Donetsk and Luhansk oblasts"

Caritas Austria's project number and official project title: 2010022 "Strengthening Health, Community Resilience and Livelihoods in Donetsk and Luhansk oblasts"

- b) Project duration/implementing period:

15.11.2020 – 14.05.2022

- c) Official project budgets (with indication of donor's contribution):

Total project budget: EUR 775.000

Contribution by ADA: EUR 500.000

Own Contribution (Caritas Austria): EUR 275.000

Budget for Partner "Caritas der Erzdiözese Wien – Hilfe in Not": Total EUR: 37.186

Budget for Partner "International Charitable Foundation Caritas Ukraine (C-UA)" : Total EUR: 737.814

- d) Short project description:

- Implementing partner organisation:
- Partner 1: Caritas Austria, Albrechtskreithgasse 19-21, 1160 Vienna/Austria
- Partner 2: International Charitable Foundation Caritas Ukraine, Ozarkevycha str. 4, Lviv, 79016 / Bulvarno-Kudriavska 4b, Kyiv, 04053

Impact:

The overall objective of the proposed project is to contribute to sustaining and safeguarding the lives of vulnerable populations and internally displaced Ukrainians in conflict-affected communities in Donetsk and Luhansk regions through sustainable recovery and resilience measures. This is planned to be achieved through the following Specific Objectives: 1. Vulnerable conflict-affected HHs along the contact

line in non-government controlled areas (NGCA), especially FHHs & HHs with elderly people, are able to secure their basic needs and sustain their lives (56% female, 44% male), and 2. Vulnerable conflict-affected HHs along the contact line in government-controlled areas (GCA), especially FHHs & HHs with elderly people, have improved their health and resilience amid Covid-19 and recovered their livelihoods towards increased sustainability (70% female, 30% male).

Programme outcomes:

Outcome 1: Vulnerable conflict-affected HHs along the contact line in non-government controlled areas (NGCA), especially FHHs & HHs with elderly people, are able to secure their basic needs and sustain their lives. (56% female, 44% male)

Outcome 2: Vulnerable conflict-affected HHs along the contact line in government-controlled areas (GCA), especially FHHs & HHs with elderly people, have improved their health and resilience amid Covid-19 and recovered their livelihoods towards increased sustainability. (70% female, 30% male)

Expected results:

The proposed project will reach its objectives through the following expected results:

R.1.1. At least 1.440 vulnerable households of IDPs and host population in NGCA have improved living conditions through winterization support and hygiene assistance (56% female, 44% male).

R.2.1. At least 300 highly vulnerable people with special needs of IDPs and host population in GCA have improved their hygiene conditions through the provision of hygiene kits, 150 of whom have additionally improved their physical health through the provision of homecare services. (70% female, 30% male)

R.2.2. At least 240 vulnerable people of IDP and host population (incl.150 highly vulnerable people with special needs who receive homecare services) benefit from improved psychosocial well-being (75% female, 25% male).

R.2.3. At least 480 people of IDP and host population in 6 target settlements benefit from improved community cooperation to support their resilience towards the effects of the ongoing conflict and the Covid-19 pandemic. (70% female, 30% male).

R.2.4. At least 9.000 people of IDP and host population in 6 target settlements in GCA, especially women and elderly, have increased awareness about Covid-19 related risks and prevention measures, 1.200 of whom have decreased vulnerability against the pandemic by obtaining PPE kits (63% female, 37% male).

R.2.5. At least 60 residents (80% women and 20% men) of IDP and host population have improved capacity to start and re-start businesses, 30 of whom engage in income generating activities based on increased knowledge, skills and business grants

R. 2.6. At least 45 staff of implementing partner organizations operating in GCA or NGCA have increased capacity to implement interventions that mainstream gender and protection and follow a community development approach

Target group:

The project targets vulnerable conflict-affected IDPs and host population who live within 0-5km distance to the contact line in GCA and NGCA where C-UA and its implementing partners are present.

The humanitarian-development component in GCA targets people living in isolated, rural settlements, in particular: Valuiske, Makarove, Vilhove and Zolote-4 in Luhansk oblast, and Novobakhmutivka and Novoselivka in Donetsk oblast. In particular, the project targets highly vulnerable people, most notably elderly people (60+), including with overlapping vulnerabilities such as specific needs or disabilities, who are particularly vulnerable to Covid-19 and have multiple needs such as hygiene, health and protection and thus require a broad range of services and assistance. In addition, the project targets people who suffer from conflict-related trauma and mental health problems, further compounded by the devastating impact of Covid-19 on the conflict-affected areas, including PWSN and PWD, low-income families, female-headed HHs, families with more than three children, and children. The project thus targets low-income men and women interested in income generating activities, who require business support to break the cycle of dependency on humanitarian assistance or social services, with a particular emphasis on strengthening women's livelihoods.

In NGCA, the project will target elderly people or PWD, including people with high risk of Covid-19 infection, with identified high needs, for whom hygiene items or heating materials for winter are unattainably expensive.

Target regions/locations:

- Valuiske, Makarove, Vilhove and Zolote in Luhansk oblast
- Novobakhmutivka and Novoselivka in Donetsk oblast

Activities related to OPs:

Act. Cluster R.1.1:

- 1.1.1. Identification and selection of beneficiaries in NGCA
- 1.1.2. Procurement of relief items for winterization and hygiene assistance in NGCA: 1.1.3. Distribution of heating materials to 640 vulnerable households in NGCA of Luhansk and Donetsk oblasts (3 tons of heating materials per HH, 1,920 tons overall)
- 1.1.4 Distribution of hygiene kits to 800 vulnerable households in NGCA of Luhansk and Donetsk oblasts (2 kits per HH, 1,600 kits overall)

Act. Cluster R.2.1:

- 2.1.1. Identification and selection of beneficiaries in GCA
- 2.1.2. Provision of non-specialised homecare services to 150 elderly with special needs, including bedridden and immobile people, through 15 trained Cash for Work workers, twice per week for 16 months
- 2.1.3 Procurement of hygiene kits for GCA
- 2.1.4 Distribution of 900 hygiene kits for 300 elderly with special needs, including 150 bedridden and immobile people (3 kits per person).

Act. Cluster R 2.2:

- 2.2.1. Recruitment and training of 3 psychologists
- 2.2.2. Identification and selection of beneficiaries in GCA
- 2.2.3. Provision of 1,440 psychosocial support sessions for 240 people living in 6 conflict-affected settlements (at least 6 sessions per person on average, depending on need of beneficiaries)

Act. Cluster R 2.3:

- 2.3.1 Facilitation of 48 self-help group sessions in 6 conflict-affected settlements (once per month for 16 months)
- 2.3.2 Organization and facilitation of 48 community engagement activities for increased community cohesion, solidarity and self-advocacy (e.g. community and peer support initiatives, neighborhood support)

Act. Cluster R.2.4:

- 2.4.1. Development and printing of information material about Covid-19 related risks, including gender-based violence, protection measures and mitigation strategies
- 2.4.2. Identification and selection of beneficiaries for PPE kits in GCA
- 2.4.3. Procurement of 1.200 PPE kits
- 2.4.4. Distribution of 1.200 PPE kits for elderly people in 6 settlements (1 per person)
- 2.4.5. Distribution of 18.000 information leaflets on Covid-19 risk and GBV prevention measures for 9.000 residents living along contact

Act. Cluster R.2.5:

- 2.5.1. Identification and selection of beneficiaries based on defined selection criteria
- 2.5.2. Provision of 24 business skills training sessions for at least 60 active residents (48 women and 12 men) from 6 settlements (business planning, marketing and sales, market analysis, financial literacy, legal and taxation aspects) - 4 cycles of 6 training sessions overall, 15 participants per cycle on average

2.5.3. Selection and distribution of business grants for 30 active residents (24 women and 6 men) from 6 settlements (EUR 1.500 each in average):

Activity R.2.6:

2.6.1. Provision of 3 training sessions on Gender, Protection issues and Community development approaches for project staff

For projects co-financed by the Austrian Development Agency (ADA), information contained under "2. BACKGROUND OF THE PROJECT" should always refer to chapter 4.6 of ADA's General conditions.

3. OBJECTIVES OF THE EXPENDITURE VERIFICATION

The objectives of the audit are:

- a) to provide a professional opinion on the quality of processes and accounting practices within the audited organisation and specifically as applied within the project at hand following point 5 (procedures to be performed by the Auditor)
- b) 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
 - o National accounting policies
 - **Project:** Cooperation agreement 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.
- c) to provide a professional opinion on the quality of the audited organisation's financial reporting and its suitability for the requirements of the donors.*

**For projects co-financed by the Austrian Development Agency (ADA), information contained under "2. BACKGROUND OF THE PROJECT" should always refer to chapter 4.6 of ADA's General conditions.*

4. MINIMUM REQUIREMENTS FOR AUDITORS AND AUDIT STANDARDS

4.1. The auditor is a member of a national accounting or auditing body or institution which in turn is member of the International Federation of Accountants (IFAC) or the Auditor is a member of a national accounting or auditing body or institution. Although this organisation is not member of the IFAC, the Auditor commits himself/herself to undertake this Engagement in accordance with the IFAC standards and ethics.

4.2. The auditor will employ staff with appropriate professional qualifications and suitable experience with IFAC standards and with experience in verifying financial information of entities comparable in size and complexity to the project at hand.

4.3. The auditor has sufficient knowledge of relevant laws, regulations and rules in the country concerned. This includes but is not limited to taxation, social security and labour regulations, accounting and reporting.

4.4. The Auditor will provide Caritas Austria with CVs of the staff/experts involved in the expenditure verification. The CVs will include appropriate details for the purpose of the evaluation of the offer on the relevant specific experience for this expenditure verification and the qualifying work carried out in the past.

4.5. The Auditor shall undertake this Engagement in accordance with:

Terms of Reference based on ADA Guidelines for Expenditure Verification
June 2019

- the International Standard on Related Services (ISRS) 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the IFAC;
- the IFAC Code of Ethics for Professional Accountants (developed and issued by IFAC's International Ethics Standards Board for Accountants (IESBA), which establishes fundamental ethical principles for Auditors regarding integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards. Although ISRS 4400 provides that independence is not a requirement for Agreed-upon procedures engagements, Caritas Austria and its back donor require that the Auditor is independent from the Beneficiary and complies with the independence requirements of the IFAC Code of Ethics for Professional Accountants.
- ISA 800 Revised - International Standards on Auditing

5. PROCEDURES to be performed by the AUDITOR

The auditor is asked to carry out 2 yearly audits. Audits are covering the following periods of implementation:

1st Audit: 15.11.2020-14.11.2021
2nd Audit: 15.11.2021-15.05.2022

In general, the total project period (15.11.2020 – 14.05.2022) is subject to the audit. The total costs for total period are approximately EUR 737.814 where of Direct costs are approximately EUR 689.545 and will be subject of the audit. Indirect costs are not subject to the audit (lump sum).

The auditor verifies on the basis of original documents, if

- costs declared in the Financial Statement are justified by the relevant supporting documents
- costs meet eligibility criteria stipulated in the Grant Agreement and its annexes
- original vouchers are clearly associated with the project (stamped) and the projects time frame
- all invoices have been settled and paid for
- financial resources have been used efficiently, costs effectively and solely for the purpose for which they were provided
- generally Accepted Accounting Standards are met
- conversion of Currency has been calculated correctly
- accrued interest has been declared¹
- expense have been correctly assigned to budget items
- over expenditure, if any, lies within the thresholds stipulated in the Grant Agreement and the Project Manual
- usage of budget funds under "unforeseen" or "contingency reserve" has been approved by ADA
- indirect costs², if foreseen in the budget, have to be calculated properly
- procurement regulations have been met
- other revenues originally not foreseen in the financial plan were registered or

¹ In case Austrian Development Agency (ADA) is the back donor accrued interest has to be reimbursed to ADA

² For Contracts financed by ADA: indirect costs (also named „Projektbegleitentgelt (PBE) are calculated proportionally to eligible direct costs and do not require further supporting documents. Audit costs are part of indirect costs. For details refer to "ADA Guidelines indirect costs")

- revenues foreseen in the financial plan were not realized
- the contract, terms and conditions have been complied with
- applicable tax laws and regulations have been complied with
- an adequate, effective Internal Control System exists
- all assets and equipment have been incorporated in the asset list
- assets and equipment have been used for the project purposes
- project vehicles, if any, have been used according to the standards set out in the General Terms and Conditions of the Grant Agreement
- regulations on travel expenses have been followed
- sub-grants foreseen in the project document have been provided to third parties and have been properly accounted for on the basis of actual costs
- applicable visibility regulations have been adhered to
- recommendations for previous periods have been implemented
- Depreciation on investment goods that continue to be available to the Recipient after the end of the term of the Agreement has been properly calculated, if applicable
- Equipment or services produced or provided by the Recipient itself have been charged at cost only (without any markup)

Additionally

- the auditor provides information on the treatment of taxes (especially VAT) in the financial reports³.
- examines whether the persons enjoying power of disposal over the bank account are the same or among those officially authorised to represent the Legal Holder of the project
- In case of education and training courses, to examine the relevant invoices, bills, receipts (Fees, food, accommodation, transport, etc) and also the lists of participants

6. AUDITOR'S REPORT

6.1. The auditor shall produce **a draft and a final Expenditure Verification Report** based on the official project budget and exactly reflecting its budget line structure.

The audit reports must be written in English and contain at least⁴:

- Title
- Contracting Organisation (Caritas Austria)
- Project number and name
- Implementing organisations' names and contact details
- Brief description of the project and partner(s)
- Reporting period and currency
- Exchange rates used in the financial report (to Euro or to the official project currency, as indicated in the project budget), with detailed explanation of their calculation
- Total amount of budgeted and actual expenditures, with differentiation between direct and indirect costs, as indicated in the official project budget
- Complete list of reported expenditures classified according to the relevant budget lines;
- Total amount of budgeted and actual incomes
- Complete list of project funds transferred, including donors' names, dates and exchange rates
- Indication on treatment of taxes and especially VAT
- Amount of actual expenditures verified
- Expenditure Coverage Ratio
- Description of the procedures performed

³ For projects co-financed by the Austrian Development Agency (ADA), VAT is usually not eligible, unless it is proven that the VAT is borne effectively and finally by the organisation.

⁴ For details on reporting please refer to ISRS 4400, issued by IFAC

- Factual findings
- Recommendations, if applicable
- Follow up of previous recommendations, if applicable
- Other relevant matters
- Reference to contact persons/sources of information from implementing partner organisation during audit execution
- Auditor's name, position, address, phone, fax and e-mail
- Date, auditor's signature

6.2. The Report shall also comprise the following annexes:

- Financial Statement
- Bank account statements
- List of payable invoices, if any
- In case ineligible costs are detected, a list of respective vouchers
- Asset list of all goods/equipment financed with project funds with a value of over Euro 400,-
- If expenses contain Value Added Tax (VAT), the Auditor shall certify that Grant Recipient is not exempt from VAT and cannot reclaim it either

For projects co-financed by the Austrian Development Agency (ADA), VAT is not eligible; unless it is proven that the VAT is borne effectively and finally by the organisation.

6.3. A signed original version of the audit reports (as well as of the audit contract) must be submitted in hardcopy to:

- Nr. 2 copies to Caritas Austria
- Nr. 1 copy to Implementing partner

7. MANAGEMENT SUPPORT / Contractor's duties

7.1. Caritas Austria and its implementing partner organisation will provide the external auditor with all necessary information to perform his/her work. Relevant documents must be specified in the Terms of Reference which are annexed to the contract or Engagement Letter.

The following underlying documents are required as a minimum:

- Grant Agreement between Caritas Austria and back donors (if applicable)
- Amendments to the Grant Agreement, if any
- MoU/cooperation agreement between Caritas Austria and its implementing partner organisation(s)
- ToR for the external audit
- Official project budget
- Financial project reports, including complete list of reported expenditures
- Original vouchers/receipts
- Access to the used bookkeeping system
- Access to information related to bank and cash statements
- Any other documents required by the auditor for the performance of his/her tasks

7.2. The Financial Statement (consisting of a summary and a detailed breakdown) includes a budget vs. expenditure comparison and a detailed voucher list classified according to the relevant budget lines and covers all project expenses and funds received from ADA, the grant recipient, other project partners or other donors. Revenues including accrued interest, if any, and calculations of conversions to the contract currency (generally Euro) are to be attested as well.

7.3. The Financial Statement covers all project expenses and funds received from ADA, the grant recipient, other project partners or other donors. The budget vs. expenditure comparison follows the approved budget and shows at least the same level of detail.

Contributions *in kind* are generally not part of the project budget and are thus not reflected in the Financial Statement.

If, in exceptional cases, the project budget includes expenses which cannot be verified by the Auditor, these expenses must be declared in the Terms of Reference (ToR) and in the Financial Statement.

7.4. The project managers, the accountants and the staff working on the project will be open to collaboration with the auditor.

7.5. The contractor must reserve the right to share the Expenditure Verification Report and its annexes with all donors.

The contractor and its back donor ADA reserves the right to reject the Expenditure Verification Report if it does not comply with the required standards.

ADA may at any time require the submission of the original vouchers. The original vouchers must be available for in situ inspection by ADA at any time for a period of ten years starting from the end of the year during which the last instalment has been disbursed by ADA. ADA shall be allowed to inspect in detail the financial management of the Project at any time.

8. EXPENDITURE COVERAGE RATIO (ECR)⁵

The auditor ensures that the overall ECR is at least 65 %. If he finds an exception rate of less than 10% of the total amount of expenditure verified (i.e. 6,5%) the Auditor finalises the verification procedures and continues with reporting. If the exception rate found is higher than 10 % the Auditor extends verification procedures with reporting regardless of the total exception rate found. The Auditor ensures that the ECR for each expenditure heading and subheading in the Financial Report is at least 10 %.

9. WORK PLAN for the first year audit

Activity	until	to
Letter/Expression of interest/offer	27/11/2021	Caritas Austria/Implementing partner organisation
Signed contract between auditor and Caritas Austria/Implementing partner organisation	03/12/2021	Caritas Austria/Implementing partner organisation
Auditing	08/12/2021	14/12/2021
Sending draft audit report to Caritas Austria/Implementing partner organisation	20/12/2021	Caritas Austria/Implementing partner organisation
Feedback from Caritas Austria/Implementing partner organisation	23/12/2021	Auditor
Finalization of and transmission of the final audit report to Caritas Austria/Implementing partner organisation	29/12/2021	Caritas Austria/Implementing partner organisation

⁵ This ratio represents the total amount of expenditure to be verified expressed as a percentage of the total expenditure which has been subject to this audit

10. LETTER OF INTEREST, SELECTION PROCESS AND CONTRACTING

10.1. Interested auditors are requested to send a "Letter of Interest" no later than 27.11.2021 to Caritas Ukraine

It should include:

- Description of planned audit implementation
- Schedule of activities
- Auditor's fees
- Auditor's CV and/or company profile
- Confirmation that the auditor will carry out the audit in accordance with the Terms of Reference

10.2. Selection of best offer

In accordance with Caritas Austria's procurement rules a selection committee with qualified members will select the best offer regarding price and quality. Price and quality will be weighted with 70% (price) and 30 % (quality). The successful bidder will be informed within 8 working days after the deadline for submission of offers.

10.3. Contract/ Letter of Engagement

Before carrying out the audit, a **contract** (based on the ToR for the external audit) has to be signed between Caritas Austria/implementing partner organisation and the respective auditing company (n.b.: for ADA funded project only Caritas Austria is authorised to sign).

The audit contract shall be drafted by the auditor and shall:

- Be written in English
- Include these ToR as an annex and integral part of the contract
- Contain a confirmation that the auditor has read ADA's general conditions, especially chapter 4.6 of the General Conditions and acknowledge ADC's rules (if applicable – for ADA funded projects)
- Contain a time schedule for the auditing process (See also g. Workplan)

11. CONTACTS

11.1. Caritas Austria

Office: Caritas Österreich, Albrechtskreithgasse 19-21, 1160 Vienna, Austria

Contact person 1: Laura Scherer, lauramaria.scherer@caritas-austria.at; +43 (664) 8266927

Contact person 2: Barbara Reiterer, barbara.reiterer@caritas-austria.at; +43 (664) 3209449

11.2. Implementing partner organisation

Office: Bulvarno-Kudriavska 4b, Kyiv, 04053

Contact person 1: Gennadiy Yakubov, email:gyakubov@caritas@ua, tel. +38050 022 22 56, skype:geshay

Contact person 2: Olena Barylo, email: obarylo@caritas.ua, tel.+380952153055, skype: elenaelena55556