

EXPENDITURE VERIFICATION / AUDIT

TERMS OF REFERENCE (ToR)

1. INTRODUCTION

Stichting Cordaid, with its registered seat in The Hague, The Netherlands, and having offices at Grote Marktstraat 45 (2511 BH), listed in the Chamber of Commerce Register of Enterprises under file number 41160054, hereafter referred to as "Cordaid".
Cordaid is responsible and liable towards its donors for the correct and complete implementation of the Project.

ICF "Caritas Ukraine" is responsible and liable towards Cordaid for the correct and complete implementation of the Project and for the correct and complete performance of its (other) obligations under Agreement .

2. BACKGROUND OF THE PROJECT *

Cordaid's project id and official project title: 201146 Acute Joint Response – Ukraine

a) Project duration/implementing period:

03.03.2022 – 02.09.2022

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

Total project budget: 791.129 EUR

Impact:

The overall objectives of the proposed project:

1. Provide timely rescue multisectoral assistance to displaced and non-displaced people affected by the escalation military actions.
- 2: Protect conflict-affected people and civilian infrastructure in accordance with international humanitarian law, norms and standards.
- 3: Support the provision of essential services in areas affected by the escalation of hostilities.

Programme outcomes:

Outcome 1: 4,500 individuals will receive 9,000 emergency food packages

Outcome 2: 3,000 individuals will receive 6,000 emergency hygiene kits

Outcome 3: 600 people with disabilities will receive specialized hygiene kits

Outcome 4: 600 families with small children will receive 600 specialized kits for children

Outcome 5: 600 affected people will receive special warm kits

Outcome 6: 3000 people will receive drinking water according to minimum humanitarian standards

for 60 days - 6 liters of drinking water per day

Outcome 7: 1000 affected families will receive family basic first aid kits

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:

1. IDPs who were forced to leave their places of permanent residence
2. Local people who were directly affected by the fighting
3. Local people of working age who lost their income as a result of hostilities
4. People with disabilities
5. Large families
6. Families run by single parents (special attention to single mothers)
7. Children left without parents in the care of adults.

Target regions/locations:

- Ivano-Frankivsk, Kyiv region, Kolomyia

Activities related to OPs:

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.

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 Ukraine 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 Donor's audit protocol (see attachment):

The audit must be carried out in accordance with generally accepted auditing standards and in particular the auditing standards (Dutch- or International Standards on Auditing; ISA 800/805) of the International Auditing and Assurance Standards Board (IAASB), see chapter 2 of this protocol.

5. PROCEDURES to be performed by the AUDITOR

Audits are covering the following periods of implementation: 03.03.2022-02.09.2022

In general, the total project period (03.03.2022-02.09.2022) is subject to the audit.

The total costs for total period are approximately EUR 791.129, where of Direct and Support costs are approximately EUR 760.701 and will be subject of the audit. Administrative costs are not subject to the audit

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
- procurement regulations have been met
- other revenues originally not foreseen in the financial plan were registered or
- 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 reports,
- 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

For Contracts financed by Cordaid: administrative costs are calculated proportionally to eligible direct costs and do not require further supporting documents.

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 contains at least:

- Title
- Contracting Organisation
- 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
- 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

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

- Nr. 1 copies to Cordaid
- Nr. 1 copy to Caritas Ukraine

7. MANAGEMENT SUPPORT / Contractor's duties

7.1. Cordaid 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 Cordaid and Caritas Ukraine
- Amendments to the Grant Agreement, if any
- Cooperation agreement between Caritas Ukraine 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 Cordaid, 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 Cordaid, 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 Cordaid reserves the right to reject the Expenditure Verification Report if it does not comply with the required standards.

Cordaid may at any time require the submission of the original vouchers. The original vouchers must be available for in situ inspection by Cordaid 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 Cordaid. Cordaid shall be allowed to inspect in detail the financial management of the Project at any time.

9. WORK PLAN for the audit

Activity	until	to
Letter/Expression of interest/offer	15/08/2022	Caritas Ukraine
Signed contract between auditor and Caritas Ukraine	30/08/2022	Caritas Ukraine
Auditing	08/09/2022	25/09/2022
Sending draft audit report to Cordaid	27/09/2022	Caritas Ukraine
Feedback from Cordaid	28/09/2022	Auditor
Finalization of and transmission of the final audit report to Caritas Ukraine	29/09/2022	Caritas Ukraine

10. LETTER OF INTEREST, SELECTION PROCESS AND CONTRACTING

10.1. Interested auditors are requested to send a "Letter of Interest" no later than 15.08.2022 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 Ukraine procurement rules a selection committee with qualified members will select the best offer regarding price and quality. The successful bidder will be informed within 10 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 Ukraine and the respective auditing company

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 time schedule for the auditing process (See also 9. Workplan)

11. CONTACTS

11.1. Caritas Ukraine

Office: Bulvarno-Kudriavskaya 4b, Kyiv, 04053

Contact person 1: Olena Barylo, email: obarylo@caritas.ua, tel.+380952153055,
skype: elenaelena55556

Contact person 2: Alexander Dmitriev, odmitriev@caritas.ua; tel.+380509750877