**Terms of Reference for external Audit**

This document defines the terms of reference for the verification of the financial report(s) of the project(s) listed below, by an independent auditor. In addition, the financial management system of the implementing partner shall be analysed and recommendations given for its improvement.

#  Project Information

|  |  |
| --- | --- |
| **Project Title(s):** | Advocating for Sustainable Social Services provided by 5 Caritas Social Centers to vulnerable people affected by Ukrainian conflict within the national Decentralisation Reform in Ukraine / P.545-2019-002  |
| **Project Period:** | 01.08.2020- 30.04.2025 |
| **Contract Project Budget(s):** |  5.533.795,30 €  |
| **Financing Partner(s)/funding donor:** | BMZ (Federal Ministry for Economic Cooperation and Development) |
| **Implementing Project Partner:** | Caritas Ukraine |
| **Location(s) of Projects:** | Dnipro (Caritas Donetsk), Chervonohrad (Caritas Kramatorsk), Kyiv (Caritas Kyiv), Cherkassy (Caritas Mariupol), Zaporizhzhia (Caritas Zaporizhzhia), Lviv (CUA) |
| **Reporting Currency**  | UAH and EUR  |
| **Project bank accounts** | UA793253650000002600801913626 (EUR), UA443253650000002600016913626 (UAH) |

# Objective of verification

The objective of the audit is to ascertain that the funds provided by BMZ (Federal Ministry for Economic Cooperation and Development) were used in accordance with the project agreement (including its stated objectives) and to verify whether financial systems of the project partner respond to general accepted practices.

# Scope of work

The audit services to be provided include the following aspects:

* 1. The audit shall be carried out at the domicile of the implementing project partner (Caritas Ukraine, Caritas Donetsk in Dnipro, Caritas Mariupol in Cherkasy, Caritas Kramatorsk in Chervonograd, Caritas Kyiv and Caritas Zaporizhzhia) and where his bookkeeping is located and at places, where the above-mentioned project is carried out. It is held once a year until project end.
	2. The audit shall contain the verification of all financial documents, processes as well as other information pertaining to the project in accordance with international standards. This includes reporting on internal control systems related to the financial statements, reporting on compliance with national accounting laws and employment regulations, and reporting on compliance with all contractual conditions between the project partner and Caritas Germany (DCV).
	3. Besides the aspects mentioned above, the audit shall analyse the strengths and weaknesses of the project partner’s administrative management in general. The aim is to identify learning points for the partner to strengthen his structures and systems in a sustainable manner. This analysis shall result in a list of recommendations for the project partner which are to be included in the management letter.

# Methodology and Standards

In his work the auditor has to comply with the International Federation of Accountants (IFAC) “Code of Ethics for professional Accountants”. The verification shall be performed in accordance with national legislation and the International Standards issued by the International Auditing and Assurance Standards Board (IAASB) and according to ISA 800 / 805. In this regard the auditor is requested to

* 1. express assurance regarding historical financial information, see wording mentioned under 6.2 *Deliverables*
	2. exercise certain agreed-upon procedures regarding financial information, this includes:
		1. completing the annexed checklist and
		2. a coverage ratio of expenditure vouchers physically verified as per the offer of the auditor. The ratio should include a representative coverage of all expenditures, including a fair amount of smaller expenses, for example: at least 10% of the value of each main budget position and at least 65% of the total value (actual costs).

 The sampling procedure has to be documented in the audit reports.

4.3 verify/perform the Bank reconciliation statement to confirm the project balance.

# Qualification of the auditor

* 1. To conduct the audit, the auditor shall fulfil one of the following criteria:
* The Auditor and/or the auditing firm is a member of a national association or organization of accountants or auditors, which in turn is member of the International Federation of Accountants (International Federation of Accountants, IFAC).
* The Auditor and/or the firm is a member of a national accounting or auditing body or institution. Although this organisation is not a member of the IFAC, the Auditor commits him/herself to undertake this engagement in accordance with the IFAC standards (ISA 800/ISA 805) and ethics set out in these ToR.

5.2 The Auditor must have good written and oral English communication skills.

5.3 It would be an additional benefit if the auditor can provide trackable experience in audit/ expenditure verification of projects in the non-profit sector financed by public funds/ international donors.

**6. Deliverables**

**Audit report**

The report language is English . The written report of the auditor shall follow the agreed format and structure and has to be approved by Caritas Germany (DCV) and the project partner and signed by the auditor.

The audit report shall consist of the following information:

* 1. Details on the nature and scope of the audit, time period and place of the audit, findings regarding the scope of the audit and the standards applied.
	2. Explicit confirmation of the following 5 points (if there are reasons for restricting this confirmation, the reasons shall be given):
	3. Duly accounting records have been made available
	4. The financial report includes all income and expenditure duly by supporting documents
	5. The income/expenditure plan has been complied with
	6. The purpose of the funds has been respected and the funds have been used economically and efficiently
	7. The partner contractual agreements between the funding donor and recipient have been respected.
	8. Following documents shall be included in the audit report:
	9. Overview of receipts and expenditures.
	10. Completed and signed checklist (see annex), possibly with additional remarks.
	11. Updated inventory list of the assets procured in the course of the project.
	12. Project staff list of the implementing organization, including a confirmation of conformity of salaries with local standards. The conformity statement shall be explained.
	13. Audited financial report with variance analysis between budget and expenditure per budget position.
	14. Bank reconciliation statement, explaining any differences between the project and bank balances.
	15. At the end of the project period, a consolidated audited financial report including a presentation of all income and expenditure, a variance analysis between the budget and the expenses per budget position and any remaining balance for the entire project period must be presented.
	16. Management letter:

The auditor shall issue a separate management letter, in which he draws attention to identified weaknesses, makes recommendations for their elimination and furthermore reports on the implementation of recommendations of previous audits, if any. In the audit report the following standard wording shall be included: "For additional information and recommendations, please refer to the management letter."

# Timeframe for Deliverables

Time planning should consider the following dates:

|  |  |
| --- | --- |
| **Deliverables** | **Dates** |
| **Submission of offer** | 13.11.2023 |
| **Completion of the audit** at the domicile of the project partner  | **15.03.2024** for the report period *01.01.2023 - 31.12.2023***15.03.2025** for the report period*01.01.2024 - 31.12.2024***15.09.2025** for the report period *01.01.2025 – 30.04.2025 and* **consolidated report** *01.08.2020 – 30.04.2025* |
| **Submission of the draft audit report** (the draft report has to be approved by the project partner and Caritas Germany (DCV); feedback and comments of Caritas Germany (DCV) and the project partner have to be considered and inserted in the final report)The audit report is to be sent to the project partner and Caritas Germany (DCV) initially in draft, 6 weeks after the submission date of the financial report, stipulated in the project contract. Subsequently, the submission of the original report is made immediately after an agreement is reached. | **30.03.2024** for the report period *01.01.2023-31.12.2023***30.03.2025** for the report period *01.01.2024 – 31.12.2024* **30.09.2025**for the report period *01.01.2025 – 30.04.2025 and* ***consolidated report*** *01.08.2020 – 30.04.2025* |
| **Submission of the final audit report** | **15.04.2024** for the report period *01.01.2023 - 31.12.2023***15.04.2025** for the report period *01.01.2024 – 31.12.2024***15.10.2025** for the report period *01.01.2025 – 30.04.2025 and* ***consolidated report*** *01.08.2020 – 30.04.2025* |

# Application Procedure

Interested candidates should submit their offer including the following information:

1. Presentation of audit firm, mentioning qualifications and experience of auditors (as well as any trackable experience in audit/ expenditure verification of projects in the non-profit sector financed by public funds/ international donors)
2. Proof of registration with national accountant’s (auditors’) association / IFAC or proof of membership in a national accounting or auditing body or institution *(see also 5. Qualification of the auditor)*
3. Presentation of audit team and team leader
4. Consent to application and compliance with this ToR, outlined audit methodology and standards;
5. Narrative part of offer with presentation of planned audit process and time schedule;
6. Financial part of offer stating the audit fees (with number of working days and number of auditors) incl. all taxes, travel costs and any other related costs.

A scan of the signed offer on official paper has to be delivered via email to Artur Pohorilenko (tender@caritas.ua) the latest by **13.11.2023.**

**Annexes**

* Checklist (Sample)
* Administrative Guidelines of project agreement(s) between Caritas Germany (DCV) and project partner