**EXPENDITURE VERIFICATION**

**of *Nachbar in Not* (NiN) funded projects**

**TERMS OF REFERENCE (ToR)**

**1. INTRODUCTION**

International Charitable Foundation “Caritas Ukraine” requests you to conduct a Special Purpose Audit concerning the Project 2309007 «NiN HOME - Heating Options for Meeting Emergency Needs for Conflicted-Affected Vulnerable Ukrainians» executed by ICF Caritas Ukraine.

The project is funded by Neighbour in Need and Caritas Austria.

The selected audit company will be contracted by Caritas Ukraine and shall conduct financial audits. These ToRs shall form an integral part of the audit work and shall be included in the audit report as an annex.

**2. BACKGROUND OF THE PROJECT**

1. **Caritas Austria’s project number and official project title**:

2309007 «NiN HOME - Heating Options for Meeting Emergency Needs for Conflicted-Affected Vulnerable Ukrainians»

1. **Project duration/implementing period**:

01.02.2023-31.12.2023

1. **Official project budget**:

EUR 3 025 674,74

1. **Short project description:**

Since the deterioration of the armed conflict in Ukraine in February 2022, one-third of Ukrainians

have fled their homes, with an estimated six million internally displaced people (IDPs) and seven

million refugees in neighboring countries. From 24 February to 15 January 2023, OHCHR recorded 18,385 civilian casualties, with 7,031 people killed and 11,327 injured.

Most IDPs who fled their homes come from Zaporizhzhia, Kharkivska, Donestska, Khersonska and

Dnipropetrovska4 oblasts, the main reason being security concerns. However, many families arenow gradually returning to their homes, often to find partial to complete destruction.

Now many IDPs also voice their intentions to remain in Ukraine. Even despite recent attacks on the power supply which leave thousands of households without electricity and heating and plummeting temperatures, data by the International Organization of Migration (IOM) show that two out of three Ukrainians say that they would not want to leave their homes (only 7% of respondents nationwide are considering leaving their location). The majority of conflict affected people used up all their savings or decided to stay behind instead of leaving as they don’t feel able to leave their homes and move forward into an unknown future. With the risk of further damage during the winter months there is an urgent need to secure homes and shelters against the cold.

* + Partner 1: Caritas Austria, Albrechtskreithgasse 19-21, 1160, Vienna
  + Partner 2 (Implementing partner organisation):
  + lnternational Charitable Foundation Caritas Ukraine (C-UA)  
    Ozarkevycha str. 4, Lviv, 79016 / Bulvarno-Kudriavska 4b, Kyiv,02000

in cooperation:

- Caritas Zaporizhzhia, Ukraine, 69095, Zaporiz'ka оЬІ., misto Zaporizhzhya, Verbova str .11,

- Caritas Kramatorsk, Ukraine, 84307, Donets'ka оЬІ., t:ity Kramators'k, AKTYUBINS'KA str. 17,

- Caritas Kharkiv, Ukraine, 62458 Kharkivs'ka оЬІ., Kharkivs'kyy r-n, urban village Pokotylivka, TIMIRYAZYEVA, str. 17

**Target group:**

The target groups of this project are all vulnerable girls and boys, women and men who are affected by the war in Ukraine; this includes internally displaced persons, returnees, and members of host communities in the targeted areas. All services target the needs for dignified shelter and winter solutions. Therefore, special attention lies on most vulnerable individuals and households which suffered the loss of their homes, or which are in need of house repair. The majority of conflict-affected people used up their resources, which makes it especially challenging to live through the winter. Assistance provided through this intervention will support those, who are not able to afford costs for heating by themselves with in kind or cash assistance.

Target regions/locations:

Kharkiv Zaporizhzhia Kramatorsk region

**Project activities:**

* Activity 1.1: To provide solid fuel
* Activity 1.2 To provide light and medium shelter repairs
* Activity 1.3 To distribute shelter repair kits
* Activity 1.4 To distribute NFI kits
* Activity 1.5 To establish six heating points
* Activity 1.6 To construct 20 pre-fabricated houses

**Project results:**

The total number of targeted beneficiaries will be at least 26,160 individuals. It is estimated that 50% are adults and 50% children. Among adults, 70% of beneficiaries are estimated to be female and 30%male. 50% of children are girls and 50% boys.

Revised:

The total number of targeted beneficiaries will be at least 17,993 individuals.It is estimated that 80 % are adults and 20% children. Among adults, 52% of beneficiaries are estimated to be female and 28%male. 20% of children – 9% girls and 11 % boys.

* **Project abstract/summary:**

The overall objective of this project is to provide heating and winterisation support to families whose homes were damaged during the war and/or do not have access to the remaining communal heating systems. It provides immediate winter assistance and helps families make structural repairs to prepare for the winter of 2023/2024.Most of the project activities are implemented in three conflict-affected regions in Ukraine, Donetsk/ Kramatorsk, Kharkiv, and Zaporizhzhya with possible expansion to Kherson or other front line areas if needed and to Kyiv. The overall objective is “to contribute to life-saving shelter and winterization needs of vulnerable conflicted-affected populations in Ukraine”.

**3. OBJECTIVES OF THE EXPENDITURE VERIFICATION**

The objectives of the expenditure verification are:

1. 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)
2. 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:
  + Respective social and labour law (including staff and salary regulations).
  + Regulations on VAT and other taxes
* **International standards**:
  + ISA - *International Standards on Auditing*
  + IFAC *– International Federation of Accountants*
  + Relevant standards of the local accounting profession
  + Local legislation on accounting and reporting
* **Project:** Cooperation agreement relative to the project or to the partner organization(s), Project Documents, Terms of Reference (TOR), Budgets.
* **Accounting:** Accounting documents subject to the expenditure verification, financial and operational reports concerning the project.
* **Auditor:** The present terms of reference and the related mandate for financial audit.

1. to assess whether the partner has adequate policies and procedures in place relating to the following matters (those matters are not covered by the audit engagement in accordance with ISA as mentioned above):
   1. Existence, adequacy and effectiveness of the Internal Control System (ICS)
   2. Conformity with the project objectives and adherence to the contract conditions
   3. Economical conduct of business and effective use of financial resources
   4. Existence of and compliance with security measures to prevent double invoicing/double funding
2. 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. AUDITOR´S MANDATE**

The financial audit is to be carried out at the project location (administrative offices and/or decentralised sites, if applicable). In performing his/her mandate, the auditor shall:

* Verify sound financial management, accuracy and completeness of bookkeeping.
* Audit the accounts on the basis of original vouchers.
* perform accurate controls in order to certify the absence of duplication of funding (i.e.: same costs funded by different donors).
* Verify compliance of expenditures with budget items.
* Verify compliance of expenditures with project duration.
* Verify that there is a clear reconciliation between accounting records, original vouchers and financial data included in the project reports.
* Verify that the financial reports provide a true picture of the project’s finances.
* Provide information on the project revenues, including donor transfers, bank interest and indication of applied exchange rates.
* Verify proper application of the applicable procurement regulations.
* Provide information on the treatment of taxes (especially VAT) in the financial reports.
* Proof of the existence of all capital assets and investments purchased with the project funds according to the inventory presented (carry out random physical assets verification).

**5. PROCEDURES to be performed by the AUDITOR**

The audit methodology and the audit techniques to be used are those in accordance with international auditing standards and following the ISA 800 norm

The auditor verifies based on original documents that

1. the project is implemented in accordance with the principles of economy, efficiency and expediency.
2. proper book-keeping and sound financial management have been maintained by the Implementing Partner, the related expenditure practices are correct. Generally Accepted Accounting Standards have been met.
3. the project funds have been used in conformity with the Cooperation Agreement and its annexes, in particular:
   1. the project funds were spent exclusively for project related expenses and solely for the purpose intended.
   2. costs have been incurred during the implementation period.
   3. costs meet the eligibility criteria stipulated in the Cooperation Agreement and its annexes.
4. the financial report presented by the Implementing Partner presents the actual expenditure incurred and the revenue received for the project for the respective reporting period accurately.
5. the project expenditures are allocated to the last approved (allocated) project budget.
6. individual expenditures made from grant funds are clear evident from the project bookkeeping and are assigned to the correct budged items as specified in the approved Grant Application.
7. where expenditure was apportioned, the applied allocation key was based on sufficient, appropriate and verifiable underlying information.
8. over expenditure in budget categories, if any, lies within the thresholds stipulated in the Cooperation Agreement and its annexes.
9. costs declared in the Financial Statement are justified by the relevant supporting documents in form of genuine and original invoices, receipts and vouchers bearing all necessary information; these original supporting documents are clearly associated with the project and the project’s time frame.
10. all expenditures claimed under the financial report have been settled and paid for, no outstanding invoices or accrued costs have been included in the financial report.
11. all necessary supporting documents for employees’ costs are available and these costs are reported correctly. Specifically, the auditor verifies

a. the existence of employment contracts in accordance with the relevant national legislation.

b. that the reported employees’ costs are calculated correctly in accordance with the approved budget.

c. that only actually paid employees’ costs have been claimed under the Financial Report and this has been evidenced by the respective supporting documents.

* 1. time sheets specifying the employee's involvement on all projects.

1. accrued interest has been declared.
2. conversion of currency has been calculated correctly, in particularly the conversion into EUR is evidenced by currency exchange receipts and/or respective bank account statements.
3. other revenues originally not foreseen in the financial plan were registered.
4. applicable procurement regulations have been complied with.
5. applicable provisions of social and labour laws in all countries where the project is being implemented have been complied with.
6. applicable provisions of the company and tax laws and regulations have been complied with.
7. regulations on travel expenses have been followed.
8. sub-grants foreseen in the project document have been provided to third parties and have been properly accounted for based on actual costs.
9. requests and recommendations from the previous expenditure verifications regarding any project relevant matters have been considered and implemented.

Additionally

* 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**

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 expenditure verification reports must be written in English and contain at least.

* Implementing organisations’ name and contact details
* Project number and official project title
* Brief description of the project and partner(s)
* Reporting period and currency
* Exchange rates used in the financial report (to Euro), with detailed explanation of their calculation
* Total amount of budgeted and actual expenditures as indicated in the official direct 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
* Objectives, Scope and Description of the procedures performed
* Findings from the expenditure verification
* 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 execution of the expenditure verification
* Auditor's name, position, address, phone, fax and e-mail
* Date, auditor's signature
* Inventory list of all goods/equipment procured within the project

**7. MANAGEMENT SUPPORT / Contractor’s duties**

The implementing partner organisation will provide the external auditor with the following material and sources of verification:

* ToR for the external audit
* Cooperation Agreement between Caritas Austria and its implementing partner organisation
* Official project budget
* Financial project reports, including complete list 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

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

**8. REQUIRED EXPERTISE**

1. The financial audit of projects is to be carried out by an independent auditor having the required professional competence and experience, and in accordance with generally accepted international auditing standards.
2. The auditor must not have been involved in the operation’s accounting.
3. The auditor must not personally be connected in any way with the organisation being audited.
4. The auditor must be a registered audit company in the country of project implementation or in Austria.

**9. WORK PLAN**

|  |  |  |
| --- | --- | --- |
| **Activity** | **until** | **to** |
| Signed contract between auditor and Implementing partner organisation | **5-8 January 2024** | Implementing partner organisation |
| Expenditure verification | **15 February 2024** |  |
| Draft expenditure verification Report | **18 February 2024** | Implementing partner organisation |
| Feedback from Implementing partner organisation to expenditure verification report | **22 February 2024** | Auditor |
| Finalization of and transmission of the final expenditure verification report | **28 February 2024** | Implementing partner organisation |

**10. LETTER OF INTEREST, SELECTION PROCESS AND CONTRACTING**

10.1. Interested auditors are requested to send a “Letter of Interest” no later than **27 December** 2023 to International Charitable Foundation “Caritas Ukraine

It should include:

* Description of planned implementation of expenditure verification
* Schedule of activities
* Auditor’s fees
* Auditor’s CV and/or company profile
* Confirmation that the auditor will carry out the expenditure verification in accordance with the Terms of Reference

10.2. Selection of best offer

The best offer will be selected depending on the price, quality and compliance with the terms mentioned in the work plan.

10.3. Contract/ Letter of Engagement

Before carrying out the expenditure verification, a written **contract or engagement letter** (based on the ToR for the expenditure verification) has to be signed between implementing partner organisation and the respective auditor or auditing company.

The expenditure verification 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 Workplan)

**11. CONTACTS**

Implementing partner organisation

Office:Address

Contact person 1:

*Contacts Caritas Ukraine:*

*Tetiana Kulinenko* (Financial manager)

Mob.: +380 50 655 07 95

Mail: [tkulinenko@caritas.ua](mailto:tkulinenko@caritas.ua)

*Hard copies of contract and audit reports have to be delivered to the following*

*postal address:*

Bulvarno Kudravska street 4B, 2nd floor,

Kyiv, Ukraine