

Auditor's Copy

Brot
für die Welt

 Bread for the World –
 Protestant
 Development Service
Audit Agreement

Enclosure 2 of the cooperation agreement

Between	
Name of the Auditing Firm:	
Address:	
P.O. Box	
and	
Name of the Project Partner:	All-Ukrainian Charity "Child Well-Being Fund, Ukraine" (CWBF)
Address:	All-Ukrainian Charity "Child Well-Being Fund, Ukraine" Tetyana Basyuk 1b/6 Borisa Gmiri street, apt. 2 02140 Kyiv Ukraine
P.O. Box	
and	
Name of Financing Partner:	Protestant Agency for Diakonie and Development for Bread for the World – Protestant Development Service
Address:	Protestant Agency for Diakonie and Development
To audit the Project:	Prevention of HIV and Support of Psychosocial Health in Ukraine - Community-based work with the Stepping Stone program "15"
Project-No.:	E-UKR-2016-0225
Project Period:	From 01.09.2016 till 31.08.2019

The following Agreement will be signed:

This Agreement serves to define the principles according to which the Auditing Firm will carry out its audit of the Project Partner and states the duties of the Auditor and the Project Partner's authorized signatory/ies (e. g. General Manager/Executive Director).

This Audit Agreement is to be read in conjunction with the **Agreement of Cooperation**, and **Schedules of Budgeted Expenses and Sources of Income** entered into by the Project Partner and Financing Partner on supporting the above mentioned project.

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The Audit Agreement determines the tripartite relation of the Partners to each other.

1. Duties of the Project Partner

1.1

The Project Partner shall make available to the Auditing Firm the Agreement of Cooperation including Schedules of Budgeted Expenses and Sources of Income entered into by the Project Partner and the Financing Partner.

1.2

The Project Partner shall be responsible for the maintenance of proper accounting records as well as the implementation and maintenance of an appropriate internal control system.

1.3

The Project Partner shall be responsible for the preparation of the Financial Statement of the Project in accordance with the terms of the Agreement of Cooperation with regard to form, content and timing.

1.4

The Project Partner shall make available to the Auditing Firm the Financial Statement together with the books of account and related subsidiary records and documents and shall arrange for a timely audit so that deadlines for submission of financial reports can be met. The Project Partner shall provide all other information and explanations required by the Auditing Firm for the purposes of the audit.

1.5

The Project Partner shall arrange for the payment of the audit costs from the project funds after the Auditing Firm has presented the Audit Report and the Management Letter.

2. Duties of the Auditing Firm

2.1 Accreditation

The Auditing Firm shall provide to the Project Partner a proof of the authorization or registration as an auditor firm.

2.2 Nature and Scope of the Audit

The audit shall be conducted at the location of the Project Partner's offices where the books of account related to the Project are available. In exceptional cases it can be carried out at such other location as the Project Partner and Auditing Firm shall agree, provided all relevant accounting records and documents are available.

The Auditing Firm's assignment shall include the following tasks:

2.2.1

to examine the Financial Statements of the Project and give an opinion thereon;

2.2.2

to plan and perform the auditing in accordance with International Standards on Auditing (ISA) as adopted in the country where the Project Partner is resident;

2.2.3

to examine the systems of internal control established by the Project Partner;

2.2.4

to verify that a separate bank account is kept exclusively for the project as required by the Agreement of Cooperation, and, if applicable, to examine any further bank accounts related to the Project (e.g. for revolving funds or deposits);

2.2.5

to examine whether the signatories on the bank account have been approved and authorized by a person/persons within the Project Partner's organization with sufficient power to give that authority;

2.2.6

to examine whether there have been any changes regarding staff with authorisation to legally represent the Project Partner;

2.2.7

to examine income for the Project, to verify especially the accuracy and completeness of records and evidence of the proper recording of exchange transactions from foreign into national currency; to examine whether any exchange gains or interest were accrued on amounts transferred by the Financing Partner and in that case to examine whether the exchange gains or the interest were properly declared and used for project purposes;

2.2.8

to examine whether the local and/or third-party contributions to be provided as part of the Project have actually been received, duly shown in the books, and properly used for the financing of Project expenditure; to verify information on income which was due but was actually received after the end of the period under review from local and third-party contributions, if any; as to local contributions, only those made in monetary terms should be shown. Where non-cash contributions (e.g. voluntary labour, contributions in kind) have been provided, these should be shown separately.

2.2.9

to identify whether any provisions and reserve funds have been created from amounts disbursed to the Project Partner by the Financing Partner and if so, whether the consent of the Financing Partner to do so has been obtained; to confirm that on completion of the project any existing provisions and reserve funds have been dissolved and duly used for project purposes;

2.2.10

to verify, in cases where the Financial Statement has been prepared on an accruals basis, that a complete and accurate reconciliation between the fund balance and the cash balance is included in the Financial Statement;

2.2.11

to verify that no depreciation, imputed or notional costs are charged to the Project;

2.2.12

to examine the payroll of the project staff and lists of experts' and advisory fees paid and to verify that deductions of income tax, social security, insurance and welfare scheme and any other amounts from staff pay have been properly calculated and duly remitted to the local government or other authority/body/organization in accordance with applicable legislation;

2.2.13

to verify that relevant local/national laws and regulations have been complied with;

2.2.14

to carry out, where applicable, a physical inspection – or equivalent procedures - of the Project and its assets and in doing so to examine the inventory of all movable assets of a value exceeding EUR 400 purchased with project funds and to verify that they are used for the purpose of the project;

2.2.15

to examine, in cases where immovables were purchased or buildings were erected as part of the Project, title of ownership or of right of disposal and to find out whether any encumbrances or obligations to third parties were created, also to verify that they are being used for the agreed purpose;

2.2.16

to verify that proper procedures of competitive tenders and quotations have been followed for the purchase of goods or services (including the value of building contracts) exceeding EUR 400;

2.2.17

to examine the lending procedures in cases where a micro-credit fund is included in the Project (e.g. verification of loan disbursement, terms and conditions and purpose of loan); to check in particular that the Financial Statement includes only the first disbursement of loans. Repayments and re-utilizations are part of the revolving fund which requires a separate bank account.

2.2.18

to verify that the obligation to furnish evidence has been fulfilled; to verify notes regarding the Financial Reports and the accounting and valuation methods (policies) for: accounting type, exchange rates, interests and all other important areas.

2.3 Audit Report

2.3.1

The Audit Report shall be addressed to the Project Partner and the Financing Partner and shall be sent to the Financing Partner by the Project Partner.

2.3.2

The Auditing Firm shall ensure that the Financial Statement to which the Audit Report refers is clearly identified (e.g. by initialling and dating each page) and shall attach a copy of the Financial Statement to the Audit Report.

2.3.3

The Auditing Firm shall include all relevant matters in the Audit Report. In particular the Audit Report shall specifically include the Auditing Firm's opinion upon the following:

- a. whether the Agreement of Cooperation has been adhered to,
- b. whether the Project Funds have been used exclusively for the purposes of the Project in accordance with the Agreement of Cooperation, and the Implementing Rules,
- c. whether the Financial Statement reflects a true and fair view of the financial affairs of the Project.

If the Auditing Firm is obliged to qualify the opinion or to report on exceptions referring to a) and b) above, full reasons shall be given. The Auditing Firm shall report all material findings - including exceptions referring to 2.2.5 – 2.2.18 - within the Audit Report or in an enclosure referred to in the Audit Report.

2.4 Management Letter

The Auditing Firm shall report their observations about the system of accounting and internal controls, together with a detailed list of any significant weaknesses that come to the Auditing Firm's attention during the course of the audit. The report includes recommendations as to how these weaknesses may be eliminated and how controls and records might be improved.

The report shall be drafted in a way to provide a comprehensible statement of essential revealed misrepresentations in the financial report or in the books of account (including fraud, mistakes or non-compliance with legal regulations). It is not the subject of the Audit Report to audit all the books of account, however any false statements detected by the auditor during the course of the audit shall be documented as part of the management letter and the Auditing Report.

3. Duties of the Financing Partner

3.1

The Financing Partner receives the Audit Report and conducts a separate risk assessment.

3.2

In case of any indications for problems related to project implementation or during the course of the audit, the Financing Partner is available for any information provided by the Project Partner or the Auditor. The Financing Partner is entitled to address both contracting parties requesting remedy, and requesting them to take necessary action in order to implement the Agreement at hand. The Financing Partner is also entitled to collect relevant information.

4. Interpretation of Agreements

Audit questions arising due to different interpretations of the Agreement of Cooperation or this Agreement will normally be resolved between the Auditing Firm and the Project Partner. If there is still doubt, or an agreed interpretation cannot be determined, the Project Partner and Auditing Firm shall jointly refer the matter to the Financing Partner. The Financing Partner shall endeavour to resolve the questions to the satisfaction of all parties concerned. Having consulted the Project Partner and the Auditing Firm, the Financing Partner will draw up a final interpretation of the matter which will be binding.

5. Duration of Appointment and Estimation of Audit Costs

5.1

This Agreement shall commence when signed by the Project Partner and the Auditing Firm and the Financing Partner. This Agreement terminates after the final Financial Statement has been accepted by the Financing Partner, unless earlier notice is given by either party.

5.2

The total audit costs for the entire project period are estimated to amount to:

(insert amount/currency)

The audit costs shall be paid by the Project Partner out of project funds. If the actual audit costs exceed the estimated amount then the Project Partner will inform the Financing Partner in writing as to the reasons for the increase.

6. Legal Validity

If any of the provisions of this Agreement is contrary to the law of the country concerned, the latter shall take precedence over this Agreement. The legal validity of the other provisions in this Agreement shall not be affected.

7. Alteration of the Agreement

The terms of this Agreement may only be altered with the written consent of all parties who have signed the Agreement.

Project number: E-UKR-2016-0225

Project Partner: All-Ukrainian Charity "Child Well-Being Fund, Ukraine" (CWBF)

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Place, Date, Name and Signature of authorised signatory/ies, Stamp

Auditing Firm:

.....
Place, Date, Name and Signature of authorised signatory/ies, Stamp

**Protestant Agency for Diakonie and Development for
Bread for the World – Protestant Development Service:**

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Head of Ecumenical Partnership, Inter-Church Aid and Europe Unit