TERMS OF REFERENCE

**For Audit of Plan International Ukraine, Building back better (BBB) – Project for the rehabilitation and reconstruction of child-focused infrastructure in Ukraine, PN:2022.1848.5 / FAD INC100527, BMZ ÜH**

1. **Funds Background**

Plan International Ukraine is implementing the Building back better (BBB) – Project for the rehabilitation and reconstruction of child-focused infrastructure in Ukraine funded by BMZ ÜH, with a total budget of **€ 1,948,023.00.** The audit will cover the period from 23.09.2022 to 30.04.2024. The auditor will carry out the audit of such statements of account in accordance with the following Terms of References.

1. **Audit Objectives and Scope**

The Audit shall confirm the identity of the project concerned and in which way the audit has been carried out. The objective of the audit is to express an independent professional opinion on:

* 1. Whether the financial position of the funded project, funds received and expenditures for the reporting period are presented fairly in all material respects in the financial report and in accordance with donor requirements. Any rules and regulations stricter than the donor rules and regulations lined out in the MoU (Memorandum of Understanding) between the different parties of the project are internal and are not subject to the audit;
  2. Whether the funds have been used in conformity with the provisions of the donor contract, including approved budget and work plan and any amendments;
  3. Whether the financial report agrees with the financial accounts which provide the basis for preparation of the financial report and reflect the financial transactions of the project;
  4. Whether the financial report agrees or reconciles with other information reported to the donor such as narrative reports;
  5. Based on a representative selection, the expenditures are supported by original bills, duly cancelled, stamped, and signed. Appropriate and approved internal procedures for authorising payments and disbursements have been adhered to;
  6. Based on representative selection, the expenditure dates in the invoice list are recorded based on the date of payment. Accordingly, the expenditure breakdown per year in the financial report is also based on date of payment;
  7. Donor’s procurement guidelines as set out in appendix 3 have been followed. In the event of conflict between donor’s guidelines and internal guidelines, donor’s guidelines take precedence;
  8. Whether the personnel costs and social security contributionsare in line with local standards, legal in the respective project country and the contributions required by law are being withheld;
  9. Whether the project assets have been used appropriatelyfor the purpose of carrying out the project objectives and activities;
  10. Whether the funds have been used effectively (cost effectiveness of the expenditure) in delivering the project objectives. **(Value for money)**

1. **Audit Process and Methodology** *(minimum requirements auditors allowed to be innovative)*

**3.1 Preparation of the Verification**

The Audit Firm shall contact the country office representative well in advance from the start of the field work, to plan for the verification and to agree on the timing for carrying out the expenditure verification, notably about fieldwork (if any). The Auditors will also confirm the key audit team that will be assigned to conduct the audit work. During the meeting (s), the auditor may request additional information and documents that he/she considers necessary or useful for the planning and fieldwork of the audit.

**3.2 Engagement Context, Materiality, Risk Analysis, Sampling**

The Auditor's procedures should include:

Obtaining a sufficient understanding of the engagement context including the contractual conditions, the Country Office and the applicable laws and regulations. The auditors should pay specific attention to the contractual provisions relevant for the following aspects:

* documentation, and record keeping for expenditure and income.
* eligibility of expenditure.
* procurement regulations insofar these regulations are relevant to determine the eligibility of expenditure.
* asset management (management and control of fixed assets, e.g., equipment).
* cash and bank management.
* payroll and time management.
* accounting (including the use of exchange rates) and financial reporting of expenditure and income.
* internal controls and notably financial internal controls; and
* Shared cost allocations.

The understanding should be sufficient to identify and assess the risks of material errors or misstatements in the expenditure and revenue stated in the financial report to determine the size and structure of the expenditure sample to be tested, whether caused by error or fraud, and sufficient to design and perform further verification procedures.

Risks analysis must be performed, and the outcome should be clearly described in the management letter. The materiality level, sample size and the expenditure coverage ratio should be included in the management letter. The link between the risk analysis and the size and composition of the sample, as well as the sampling method (statistical/non-statistical/underlying calculations/professional judgment applied) must be clearly described in the management letter. See **Appendix 4** for format to be followed for this section and possible risks areas to be analysed.

**3.2 Audit planning report**.

Before the start of the fieldwork, the auditor shall provide the **audit plan** directly to the GNO controlling and compliance specialist and the Country Office audit focal point. The audit management team shall ensure that the unpredictable nature of the audit is not compromised.

**3.2 Fieldwork/Desk Review**

The field work or desk review shall commence on the agreed timelines as per the audit planning report. The auditor shall ensure that there is effective two-way communication between the audit team and the audit management team, and these meetings shall be documented in the management letter.

**3.4 Debriefing Memo and Closing Meeting**

At the end of the fieldwork or desk review, the auditors should prepare a debriefing memo, organize a closing meeting with the Country Office to discuss the findings, obtain its initial written comments and agree on additional information to be provided later. The GNO Controlling and Compliance Specialist must attend this meeting.

**3.5 Complementary Letter**

The auditors may at any time during the audit draw up a complementary letter to inform the audit committee about facts and issues that are considered of particular interest and importance. The auditors will notify the audit committee of any attempts by operational staff to restrict the scope of the audit, or any lack of co-operation. Suspicions of fraud or irregularity should be reported to the audit committee immediately without waiting for the issuance of the audit report.

1. **Responsibility for Preparing the Financial Report**

The responsibility for the preparation of the consolidated financial report for each implementing organisation covered by the audit, if applicable, lies with Plan International.

1. **Financial Statements**

The auditor’s certificate shall be structured according to the quantitative documentary proof of the statement of application of funds (appendix 2). The financial statements should furthermore include the following components:

* 1. In the local currency, an Income and Expenditure Statement showing funds received and all expenditures. Expenditures should be reported against the budget in local currency[[1]](#footnote-1) as defined in the donor contract for the period with the actual expenditure allocated to the same budget categories.
  2. A statement of financial position
  3. A statement of changes in net assets
  4. Expenditure which exceeds the budget appropriations by more than 30% shall be explained separately if the approval of the GNO/donor has not previously been obtained.
  5. Supplemental statements on assets, including a listing of all assets above (800 EUR excl. VAT[[2]](#footnote-2)) purchased with grant funds.
  6. Any other footnotes applicable.

1. **Auditor’s report**

The audit shall be conducted in accordance with International Standards on Auditing (ISA) 800 “The Independent Auditor’s Report on Special Purpose Audit Engagements and as promulgated by the International Federation of Accountants and that standards used for the preparation of the financial statements are in accordance with the International Financial Reporting Standards.”

The Auditor’s report must include following statement (see appendix 1):

*“We hereby confirm that we have audited the statement of accounts of (name of the project-executing agency in the developing country) in respect of the financing of the project Building back better (BBB) – Project for the rehabilitation and reconstruction of child-focused infrastructure in Ukraine based on the following terms of use made available to us (list of commissions and documents). To this end, we have inspected the books and vouchers and report that:*

*1. Proofs of receipts and expenditure have been properly furnished in the form of vouchers.*

*2. The expenditures, for which evidence has been supplied, are in keeping with the appointed purpose as set out in the Financing Plan. Any deviations from the Financing Plan are described and explained separately.*

*3. The amount and origin of documented income which is accounted for as counterpart contributions made by the project executing agency, the target group and/or other agencies in the project country have been specified.*

*4. The terms set by the donor have been observed/have not been observed in the following points.*

*5. Special notes.”*

The Auditor’s report shall include an audit opinion, see example and format for Auditor’s report in appendix 1.

The minimum requirements for the audit certificates **shall not be merely re-produced** in the audit report. The auditor is required (among other things) to provide information in the audit certificate about any **special aspects** relating to the project under audit. **Specific statements** on the audit conducted on the project in question (which revenues and expenditure were examined, whether planned project activities were implemented) and the individual audit findings must be made. If there were no findings, this must also be **explicitly** mentioned in the report.

1. **Management Letter**

The auditor shall also, attached to the Auditor’s Report, submit a Management letter in the format provided in **Appendix 4** which needs to describe the purpose and the agreed upon procedures of the engagement in sufficient detail to enable the reader to understand the nature and the extent of the work performed.

1. **Reporting**

Plan International xxx will forward two copies of the signed Auditor's Report and Management Letter to Plan International German (GNO) through both email and regular mail or courier. The report should be in English with a translated copy were applicable. Furthermore, the auditor shall submit his/her audit certificate of registration.

1. **Timetable**

The audit firm will complete and submit the audit report for the following deadline:

|  |  |  |
| --- | --- | --- |
|  | **Description** | **Due date** |
| 2 | Draft Audit Report | 21.06.2024 |
| 3 | Final Audit Report | 30.06.2024 |

1. **Requirements for the Audit Firm.**

**11**.**1 General Principles**

By agreeing these ToR, the audit firm confirms meeting at least one of the following conditions:

* The Audit Firm is a member of a national accounting or auditing body or institution which in turn is a member of the International Federation of Accountants (IFAC).
* The Audit Firm is a member of a national accounting or auditing body or institution. Although this organisation is not member of the IFAC, the audit firm commits to undertake this expenditure verification in accordance with the IFAC standards and ethics.

**11.2 Qualifications and Experience (Minimum requirements)**.

The Audit Firm 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 Country Office. In addition, the verification team as whole should have:

* Experience with programmes and projects funded by national and/or international donors and institutions. It is desirable that the team leader and, where applicable, the fieldwork team, i.e., either the audit manager (category 2) or the senior auditor (category 3) has experience with audits of BMZ-funded projects.
* Experience with audits/verifications in Ukraine
* Experience with audits/verifications of rehabilitation and reconstruction of child-focussed infrastructure
* 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.
* Fluency in Ukrainian and English
* A good knowledge of donor`s policies and procedures
* For projects funded by institutional donors, the leader of the fieldwork team shall be at least a category 2 expert who has prior experience in auditing the grants funded by the institutional donor: BMZ

**11.3 Team Composition**

The team of auditors required for this engagement will be composed of a category 1 auditor who has the ultimate responsibility for the expenditure verification and a team which is composed of an appropriate mix of category 2 – 4 auditors.

### **Categories of staff/experts**

### **Category 1 – (Audit Partner)**

A Category 1 expert (audit partner) should be a partner or another person in a position like that of a partner and be a highly qualified expert with relevant professional qualifications who assumes or has assumed senior and managerial responsibilities in public audit practice.

He/she should be a member of a national or international accounting or auditing body or institution. He/she must have at least 12 years of professional experience as a professional auditor or accountant in public audit practice. Experience with audit related services in beneficiary countries will particularly be considered for the evaluation at the level of specific contracts.

The audit partner will be the person who will be responsible for the specific contract and its performance as well as for the report that is issued on behalf of the firm. He/she has the appropriate authority from a professional, legal, or regulatory body and is authorized to certify accounts by the laws of the country in which the audit firm is registered.

### **Category 2 – (Audit Manager)**

Audit managers should be qualified experts with a relevant university degree or professional qualification. They should have at least 6 years of experience as a professional auditor or accountant in public audit practice including relevant managerial experience of leading audit teams.

He/she should be a member of a national or international accounting or auditing body or institution.

### **Category 3 – (Senior Auditor)**

Senior auditors should be qualified experts with a relevant university degree or professional qualification and at least 3 years professional experience as a professional auditor or accountant in public audit practice.

### **Category 4 – (Assistant Auditor)**

Assistant auditors should have a relevant university degree or professional qualification and at least 6 months professional experience as a professional auditor or accountant in public audit practice.

### **Curricula Vitae (CVs)**

The Audit Firm will provide the Country Office 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.

**Appendix 1**

**Example format for the Auditor’s Report**

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**AUDITOR’S REPORT (IN ACCORDANCE WITH ISA 800/805) TO THE DONORS OF PLAN INTERNATIONAL**

We hereby confirm that we have audited the statement of accounts of Plan International xxxx in respect of the financing of the project (name) based on the following terms of use made available to us (list of commissions and documents). To this end, we have inspected the books and vouchers and report that:

1. Proofs of receipts and expenditure have been properly furnished in the form of vouchers.

2. The expenditures, for which evidence has been supplied, are in keeping with the appointed purpose as set out in the Financing Plan. Any deviations from the Financing Plan are described and explained separately.

3. The amount and origin of documented income which is accounted for as counterpart contributions made by the project executing agency, the target group and/or other agencies in the project country have been specified.

4. The terms set by the donor have been observed/have not been observed in the following points.

5. Special notes.”

**Appendix 3**

**DONOR Guidelines on award of contract in the partner country**

|  |  |
| --- | --- |
| **Award of contract in the partner country (through the project executing organisation)** | |
| **Value of the order (excl.**  **value-added tax) \*** | **Contract award procedure** |
| </= 1.000,--€ | Direct order (§14 UVgO) under consideration of economic efficiency; documentation of the market analysis/price determination not required (no award) |
| > 1.000,-- € to </= 15.000,-€ | Negotiation award with or without competitive bidding (§12 in conjunction with 58 Para. 1 and 4 UVgO):  With competitive bidding: invitation to unrestricted number of bidders but at least three suitable potential bidders to submit a written bid. (§12 Para. 1, S10 Para. 1 and 2 UVgO),  Without competitive bidding: comprehensible price determination (telephone note, internet printout, etc.) required for several, in principle at least three providers (Exceptions: §12 Para. 3 UV9O - one bidder). |
| If applicable > 15,000 EUR | As far as formal award procedures are used in the partner country (especially in the case of construction contracts and larger delivery orders), should - as far as reasonable - be based on these procedure types in the partner country, even if their application is not mandatory for NGOs.  Otherwise: Negotiation award, invitation to at Ieast three suitable potential bidders for submit a written bid. |

**Appendix 4**

**Management Letter.**

**Outcome of risk analysis**

Based on the risk analysis performed according to the Terms of Reference, provide succinct information about the identified risks possibly affecting the verified report, regarding the project, the context in which the latter is implemented, the beneficiaries and the target group.

<E.g. action implemented via complex procurement procedures, financial assistance to third parties (sub-grants) or revolving funds, transactions incurred in several currencies, technical complexity, high corruption perception index, instances of political interference, predominance of cash payments, number of parties involved, partners lacking administrative capacity, known weaknesses in internal control systems, lack of involvement or cooperation of the target group, history of fraud cases.

**Implications on the sampling**

Explain how the identified risk factors are reflected in the structure and size of the sample.

<Based on the identified risk factors, describe how the sample was selected (e.g. statistical/judgemental sampling, stratification, etc.), what type of transactions were prioritised (e.g., amount above xx EUR, expensed declared by co-beneficiary XY, staff expenditure, payments to sub-grantees, etc.) what is the coverage ratio in amount and number of transaction *(max. 200 words)*>

**Statement on materiality.**

<Provide a brief statement on materiality used to conduct the audit*>*

**Sampling Highlights/Overview**

The sample size was determined based on a materiality threshold of …% of the total amount of reported expenditure with a confidence level of …% and considering the risk analysis presented above.

|  |  |  |
| --- | --- | --- |
| **Report/invoice: <indicate the report/invoice number and cut-off dates> For the table to be more informative the sample should be split according to main categories of the budget i.e financial report.** | | |
|  | **Population** | **Verified sample** |
| **Number of transactions** |  |  |
| **Value of transactions EUR** |  |  |

**NB. Information should be provided if there are changes in identified risks, materiality, and sample size from the audit planning report.**

**Results of the substantive audit procedures performed**.

<The auditor should provide results of the substantive procedures performed in sufficient detail*>*

<All expenditures that are inadequately supported with proper supporting documentation should be reported under this section auditor’s judgement is not required*>*

1. to be converted using exchange rate applicable to the project as stated in the proposal. Should the information not be available, the correct exchange rate shall be requested from the German National Office. [↑](#footnote-ref-1)
2. Exchange rate applicable to the project according to donor regulations, is the average exchange rate calculated based on the actual transfers (funds received in local currency less bank fees / funds transferred in Euro). [↑](#footnote-ref-2)