

Технічні вимоги до предмету закупівлі

Terms of Reference for Annual Audit of Project/Programme Support including ISRS 4400 (Revised)

Introduction

Transparency International Ukraine, hereafter referred to as the “TIU” wishes to engage the services of an audit firm for the purpose of auditing the project **Strengthening Ukraine’s anti-corruption institutions via civic monitoring of selection competitions**, as stipulated in the Development Engagement Document between the TIU and European Union Anti-Corruption Initiative (EUACI). The audit shall be carried out in accordance with international audit standards (ISA) issued by IAASB¹. In addition, an assignment according to International Standards on Related Services (ISRS) 4400 (Revised) shall be carried out. The audit and the additional assignment shall be carried out by an external, independent and qualified auditor.

I. Objectives and scope of the audit

The objective is to audit the financial report for the period 01/08/2024 – 31/07/2025 as submitted to EUACI and to express an audit opinion according to ISA, applying ISA 800/ISA 805, on whether the financial report of “Strengthening Ukraine’s anti-corruption institutions via civic monitoring of selection competitions” is in accordance with the TIU’s accounting records and EUACI’s requirements for financial reporting as stipulated in the DED including appendices between EUACI and TIU (Agreement).

Based on the financial information and other information provided by TIU, EUACI will determine whether all legislative and regulatory requirements linked to the funds granted have been complied with.

The overall objective of the audit is to provide the EUACI with confidence in financial information provided to EUACI by TIU. By providing an opinion on the financial statements, and by reporting findings and observations, the audit company provides part of the basis on which EUACI will assess the compliance of relevant legislative and regulatory requirements.

The objective of the financial audit is to obtain reasonable assurance whether the funds granted through EUACI are free from material misstatement. Based on the audit evidence obtained, the objective is thereby to express an opinion on whether the financial statements are free from material misstatement.

The overall objective of the compliance audit is to obtain reasonable assurance whether transactions covered by the financial statements comply with the appropriations granted, statutes, other regulations, agreements, and usual practice. Similarly, the objective of the performance audit is to make an assessment to obtain reasonable assurance whether the systems, processes, or transactions examined support the exercise of sound financial management in the administration of the funds granted through EUACI.

The audit will also aim to provide TIU with an external assessment of the financial capacity and established business processes. This includes providing observations and recommendations as part of the audit.

¹ The International Auditing and Assurance Standards Board (IAASB)

II. Additional assignment; according to agreed upon procedures ISRS 4400 (Revised), review the following areas in accordance with the Terms of Reference below

Mandatory procedures that must be included:

1. Observe whether the financial report is structured in a way that allows for direct comparison with the latest approved budget².
2. Observe and inspect whether the financial report provides information regarding:
 - a) Financial outcome per budget line (both incomes and costs) for the reporting period and columns for cumulative information regarding earlier periods under current agreement.
 - b) When applicable, compare if the opening fund balance³ for the reporting period matches with what was stated as closing fund balance in the previous reporting period.
 - c) A disclosure of exchange gains/losses. Inquire and confirm whether the disclosure includes the entire chain of currency exchange from EUACI's disbursement to the handling of the project within the organisation in local currency/ies, if applicable.
 - d) Explanatory notes (such as, for instance, accounting principles applied for the financial report).
 - e) Amount of funds that has been forwarded to implementing partners, when applicable.
3. a) Inquire and inspect with what frequency salary costs during the reporting period are debited to the project.

Choose a sample of three individuals for three different months and:

- b) Inquire and inspect whether there are supporting documentation⁴ for debited salary costs.
 - c) Inquire and inspect whether actual time worked is documented and verified by a manager. Inquire and inspect within which frequency reconciliations between debited time and actual worked time is performed.
 - d) Inspect whether the Cooperation partner comply with applicable tax legislation with regard to personal income taxes (PAYE)⁵ and social security fees.
4. Review and confirm that the Cooperation partner screens IP's and/or suppliers to ensure that such parties are not subject to the European Union's financial sanctions list of persons, groups and organisations (EU Sanctions list).

Enquire whether there has been any reported findings from the screening process and if so, report on such findings.
5. Inspect and confirm that the unspent fund balance (according to the financial report) at the end of the financial year is in line with information provided in the accounting system and/or bank account.

² The budget is attached to the DED with EUACI as an annex and any updates should be supported by a written approval by EUACI

³ I.e. funds remaining from disbursements made during previous reporting period/s

⁴ Debited salary costs should be verified by supporting documentation such as employment contracts.

⁵ Pay As You Earn

III. The reporting

The reporting shall be signed by the responsible auditor (not just the audit firm⁶) and shall include the title of the responsible auditor.

Reporting from the ISA assignment

The reporting from the auditor shall include an independent auditor's report in accordance with the format in standard ISA 800/805 and the auditor's opinion shall be clearly stated. The financial report that has been the subject of the audit shall be attached to the audit report.

The reporting shall also include a Management letter that discloses all audit findings, as well as weaknesses identified during the audit process. The auditor shall make recommendations to address the identified findings and weaknesses. The recommendations shall be presented in priority order and with a risk classification.

Measures taken by the Cooperation partner to address weaknesses identified in previous audits shall also be presented in the Management Letter. If the previous audit did not have any findings or weaknesses to be followed-up on, a clarification of this must be disclosed in the audit reporting.

If the auditor assesses that no findings or weaknesses have been identified during the audit that would result in a Management Letter, an explanation of this assessment must be disclosed in the audit reporting.

Reporting from the ISRS 4400 (Revised) assignment

The additional assignment according to agreed upon procedures ISRS 4400 (Revised) under section II, shall be reported separately in an "Agreed-upon procedures report".

Performed procedures should be described and the findings should be reported in accordance with the requirements in the International Standard on Related Services 4400 (Revised).

When applicable, the sample size shall be stated in the report.

⁶ If the audit firm is obliged to sign, refer to relevant legislation. TIU still needs to know who has been responsible for the audit assignment.