

TERMS OF REFERENCE FOR ANNUAL AUDIT SIDA FUNDED PROJECT

Introduction

East Europe Foundation (EEF) is an international charitable organization established as a foundation, in accordance with the Law on Charitable Activities and other Ukraine laws.

EEF was registered on May 24, 2007. EEF goal is to build democratic systems in Ukraine, empower citizens and foster sustainable development through education, technical assistance and grant programs that promote civil society development, strengthen media, enhance good governance and build economic prosperity.

EEF wishes to engage the services of an audit firm for the purpose of auditing the Project “Partnership for Better Energy Use in Ukraine”, as stipulated in the agreement between EEF and Sida. The audit shall be carried out in accordance with international audit standards issued by IAASB¹. The audit 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 January 1, 2016 – December 31, 2016 as submitted to Sida and to express an audit opinion according to ISA 800/805 on whether the financial report (Receipt and Use of Funds) of Project “Partnership for Better Energy Use in Ukraine” is in accordance with Sida’s instruction for financial reporting as stipulated in the agreement (including appendix between Sida and EEF) dated October 10, 2013.

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

- Follow up whether salary costs debited to the project/programme are recorded throughout the duration of the year in a systemized way and examine whether the salary costs can be verified by sufficient supporting documentation;²

¹ The International Auditing and Assurances Standards Board (IAASB)

² If the budget includes salary costs to be debited to the project, the auditor shall always examine salary costs as stipulated here.

- Examine whether the financial report includes a comparison, for every budget item, between the actual costs/expenditures of activities and the budgeted costs/expenditures as approved by Sida for the period;
- Based on materiality and risk the auditor shall examine whether there is supporting documentation related to incurred costs;
- to state which measures have been taken as a result of previous audits and whether measures taken have been adequate to deal with reported shortcomings;;
- Examine whether foreign exchange gains and losses are disclosed in accordance with what is stipulated in the agreement including appendixes.
- EEFs compliance with rules and regulations in regard to taxes (e.g.PAYE)³ and social security fees;
- Follow up whether EEF has adhered to the procurement guidelines annexed to the agreement;
- Review if outgoing balance for previous period is the same as incoming balance for the current period;
- If EEF applies modified cash basis as accounting principle, the auditor shall motivate whether the applied accounting principle is acceptable for this type of financial report.

Follow up of funds that are channelled to implementing partners

- Does EEF have signed agreements with its partner organisations?
- Are the audit requirements in agreements with partner organisations in accordance with the audit requirements as stipulated in EEF agreement with Sida?
- Review whether there is an unbroken chain of audited financial reports according to the requirements as stipulated in the agreement between EEF and Sida, for funds disbursed the previous year. The review shall include whether EEF makes documented assessments of the audited financial reports submitted to EEF and whether these reports are followed-up by EEF. The review shall include verification of contributions equivalent of a minimum of 80 % of the total of disbursed funds as well as 80 % of the number of contributions. The review shall also include any observations from auditors that Sida should be informed about.
- Are the same requirements for reporting exchange rate gains/exchange rate losses as stipulated in the agreement between EEF and Sida, included in the agreements between EEF and its implementing partners?

III The reporting

³ Pay As You Earn

The scope of the audit shall be stated in the report and the methodology used shall be presented.

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

The reporting from the auditor shall include an independent auditor's report in accordance with IAASB international audit standards and by a qualified auditor and the auditor's opinion shall be clearly stated, as well as a Management letter with audit findings and weaknesses identified during the audit process. The auditor shall regardless of materiality, quantify the amount for costs lacking sufficient supporting documentation. The auditor shall make recommendations to address the weaknesses identified and the recommendations shall be presented in priority order. 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.

Measures taken by the organisation to address weaknesses identified in previous audits shall also be presented in the Management letter.

The reporting requirement listed below are only applicable if the assignment involves an agreed upon procedure in accordance with ISRS 4400.

The additional assignment according to agreed upon procedures ISRS 4400 under paragraph III, shall be reported separately in a "Report of factual findings".

If the auditor conducts an additional assignment according to ISRS 4400 and assesses that the observations presented in the "Report of factual findings", include the information that would have been included in a Management letter, a Management letter does not need to be developed. In such a case, the "Report of factual findings" shall include an explanation of why a Management letter has not been developed.

IV Participation

To participate in the tender a commercial proposal for conducting audit (in UAH, with the calculation of rate per hour) and copy of the registration in the Register of audit firms and auditors must be submitted.