

TERMS OF REFERENCE

Audit of Financial Statements of East Europe Foundation

Background

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 and started its operations in January 2009. Previously EEF operated as a representative office of the Eurasia Foundation since 1997.

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.

The activity of East Europe Foundation is funded by multiple donors through project support funds. The Specific Agreements with donors outline undertakings by the East Europe Foundation, conditions for and utilization of donor contributions as well as conditions for an annual audit of EEF and project audit.

Objective

Objective of the audit is to enable the auditor to express a professional opinion whether the submitted financial statements are correct and give a true and fair view of activities of EEF and whether the execution has complied with the rules and conditions governing the use of funds as expressed or referred to in the Specific Agreements. The audit should cover the fiscal year of EEF which ends December 31, 2017. The selected company will be subject to annual reconfirmation by EEF.

Scope

In accordance with the United States Agency for International Development (“USAID”) requirement to implementing partners of International technical assistance projects/programs, which is a mandatory condition for obtaining financing from USAID, the Auditor will conduct an examination of the financial statements of the EEF, consisting of Balance Sheet as of December 31, 2016, Statement of Activities for the year ended December 31, 2016, Statement of Grant Activities for the year ended December 31, 2017 and Cash Flow Statement for the year ended December 31, 2016 (hereinafter the “Financial Statements”), prepared in accordance with International Financial Reporting Standards (hereinafter the “IFRS”) in order to express an opinion as to whether the Financial Statements are fairly stated in all material aspects.

The Auditor will conduct an examination of the Fund Accountability Statement of the programs (hereinafter “the Programs”), funded by USAID, for the period from January 1, 2017 till December 31, 2017 (hereinafter the “Financial Statements of the Programs”) in order to express an opinion as to whether the Financial Statements of the Programs are fairly stated in all material respects. The Fund Accountability Statement will include the following Programs: a) Pass through from Eurasia Foundation Agreement #W16-9001; b) United States Agency for International Development Cooperative Agreement Aid Grant #121-A-14-00001; c) United States Agency for International Development Cooperative Agreement Aid Grant #121-A-15-00001. Examination mentioned in this paragraph shall be conducted in accordance with requirements of “Guidelines for Financial Audits Contracted by Foreign Recipients” of February 2009.

Obligations of the Auditor within the scope of examination mentioned in this clause shall, in particular, include:

- a. Express an opinion on whether the fund accountability statement for the Programs presents fairly, in all material respects, revenues received, costs incurred, and commodities and technical assistance directly procured by USAID for the period audited in conformity with the terms of the agreements and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and accruals basis and modifications of the cash basis).
- b. Evaluate and obtain a sufficient understanding of the recipient's internal control related to the Programi, assess control risk, and identify reportable conditions, including material internal control weaknesses. This evaluation should include the internal control related to required cost-sharing contributions.
- c. Perform tests to determine whether EEF complied, in all material respects, with agreement terms and applicable laws and regulations related to USAID-funded programs. All material instances of noncompliance and all illegal acts that have occurred or are likely to have occurred should be identified. Such tests should include the compliance requirements related to (OMB) Circular A-122 Attachment B, section 8, Compensation for Personal Services and determine whether EEF is in compliance with paragraphs a-d and address the USG requirement of having a uniform compensation policy for all customers/clients.
- d. Determine whether cost sharing/counterpart contributions were provided and accounted for by EEF or its recipients in accordance with the terms of the agreements, if applicable.

The Auditor will assist with the preparation of the reconciliation of the USAID funds included in the Financial Statements with the “Fund Accountability Statement” in order to provide the reconciliation report.

In order to issue Tax Report, the Auditor will conduct a review with respect to correctness and completeness of the tax reports as specified by applicable legislation of Ukraine; their timely filing with tax authorities; accuracy of reported data. The review shall comprise EEF’s compliance with the status of a non-profit organization stipulated by Ukrainian legislation; accuracy of the reported amount of funds received from those sources that are tax exempt pursuant to the laws; accurateness of reported revenues received from other sources; determination whether EEF is a VAT payer under the applicable Ukrainian legislation; determination if the relevant criteria stipulated by Ukrainian legislation apply to the Organization; accuracy of calculation and timely payment of other taxes and charges (obligatory payments); review corrective action on prior audit report recommendations.

Deliverables:

The Auditor shall provide EEF with:

- 1) Report on the balance sheet as of December 31, 2017, and the related statement of activities , statement of grant activity and cash flow report for the year ended December 31, 2017, prepared in accordance with IFRS;
- 2) Report on the fund accountability statement of the Programs for the twelve-month period ended December 31, 2016;
- 3) Report on the internal control;
- 4) Report on compliance to agreement terms, laws and regulations related to the Programs;
- 5) Report on reconciliation of USAID funds included in the Financial Statements with the “Fund Accountability Statement of the Programi funded by USAID”;

- 6) Tax report;
- 7) Management letter;
- 8) Cost Sharing/Counterpart Contributions Schedule, if applicable

The reports and other documents shall be prepared in the English language.

The format of the audit reports should closely follow the following illustrative reports on Chapter 7 of the OIG's Guidelines for Financial Audits Contracted by Foreign Recipients. All reports shall be provided in both printed and electronic pdf formats.

The audit shall be carried out in accordance with international standards issued by International Federation of Accounts (IFAC). The audit will include such tests and controls, as the auditor considers necessary under the circumstances.

The accounts of project funds are kept in Bank Accounts held at Kyiv Branch "CIB PJSC "Credit Agricole Bank". Therefore, the auditor shall be able to review all pertinent accounts and documents in Kyiv, Ukraine.

Questioned costs

Questioned costs must be presented in the fund accountability statement in two separate categories (a) *ineligible costs* that are explicitly questioned because they are unreasonable; prohibited by the contract and related agreements or applicable laws and regulations; or not program related; and (b) *unsupported costs* that are not supported with adequate documentation or did not have required prior approvals or authorizations. All questioned costs resulting from instances of noncompliance with the contract and related agreement terms and applicable laws and regulations must be included as findings in the report on compliance.

Qualification Criteria

1. Licensed auditor for providing required services
2. Experience related to the assignment
3. The auditor should be able to review accounts and documents in English and Ukrainian languages.

Evaluation Criteria

- (i) Specific experience of the Auditor related to the assignment;
- (ii) Adequacy of the proposed work plan and methodology in responding to the Terms of Reference;
- (iii) Ability to meet audit deadlines;
- (iv) Competitive Price.

Review and Acceptance of Audit Work and Report

The Auditor shall conduct an Exit Interview with the Finance Director and the President after the completion of fieldwork to discuss its preliminary audit findings and allow the Finance Director to clarify any misunderstandings that may have arisen during fieldwork, and to request formal, written comments for inclusion into the Draft Management Letter. After the Draft Management Letter has been prepared,

the management's response to the findings has been incorporated, it shall be sent to the President of the East Europe Foundation.

EEF Management will review the Draft Management Letter, and provide suggestions to the Auditor for consideration and incorporation into the report.

The auditor should present the audited financial report and the management letter to the Finance Committee of the EEF Board of Directors for final acceptance.

Relationships and Responsibilities

The Auditors will work in coordination with the Finance Director of the Foundation and her/his designee.

The EEF Finance Director may meet with the audit company at the beginning of the audit to explain any financial/compliance areas of concern contained in the financial statements that might be emphasized and provide any advice concerning the performance of the audit.

Terms of Performance

The effective date of this contract will be the date of the signature of EEF's authorized representative. EEF expects/plans the contract to be signed no later than January 30, 2018.

The Base Period of the audit must begin as soon as possible after the signing of the audit contract, and from the audit start date, the Auditors must submit to the Finance Director an indexed draft audit report written in English within 60 calendar days after the audit start day.

It is the responsibility of East Europe Foundation to ensure that all records are available, all accounting entries and adjustments are made, and all other necessary steps are taken to make possible for the Auditors to perform the work necessary to be able to present the final audit report to the Board of Directors within 90 calendar days after the audit start day.

Please submit proposals to ssolovko@eef.org.ua.