

EXPENDITURE VERIFICATION of *Nachbar in Not* (NiN) funded projects

TERMS OF REFERENCE (ToR)

1. INTRODUCTION

NGO Positive Initiative founded in 2011, is an organization of patients, living with or affected by HIV, covering all territory of Moldova. Through our work we are combining efforts of all responsible and interested stakeholders, strengthening community systems, influencing public opinion and policy. We create an environment where everyone, regardless of their vulnerability, has all necessary rights and opportunities for a decent life.

Association aims to achieve the following goals:

- Prevention of HIV/AIDS, hepatitis C, tuberculosis, drug addiction and other diseases of socially dangerous.
- Expanding access to treatment, care and support/support in the context of HIV/AIDS, hepatitis C, tuberculosis and drug addiction.
- Involvement widely beneficiaries in making decisions on issues - key to counter HIV/AIDS, hepatitis C, tuberculosis, drug addiction and other diseases dangerous socially, and removal of the consequences they at all levels.
- Strengthening the potential beneficiary organizations and communities.
- Contribute to human rights.

The organization activities are aimed to bring together the efforts of all responsible and interested parties, strengthening community systems by influencing public opinion and community policy, offering to create an environment in which every person, regardless of their level of vulnerability, has all the rights and opportunities for a decent life.

Vision of the association: "We strive for Moldova to become a state in which human life is an absolute value!"

Currently, A.O. „Positive Initiative” within the Caritas Austria’s project number and official project title: 2209039, Assistance to Ukrainian Refugees from the KAP Community intends to contract an external auditor.

2. BACKGROUND OF THE PROJECT

- a) Caritas Austria’s project number and official project title: 2209039, Assistance to Ukrainian Refugees from the KAP Community
- b) Project duration/implementing period: 15.04.2022-30.11.2022
- c) Official project budget: 87 150 EUR (80 000 EUR + 7 150 EUR)
- d) Short project description:
 - Partner 1: Caritas Austria, Albrechtskreithgasse 19-21, 1160, Vienna
 - Partner 2 (Initiativa Pozitiva AO):
 - Target group: 750 refugees from KAP community and their relatives, 1000 refugees from other vulnerable groups, especially women and children
 - Target regions/locations: Republic of Moldova, including Transnistria region
 - Project activities: 1.1. Distribute food vouchers for refugees from KAP communities; 1.2. Providing refugees with fresh food.; 2.1. Distribution of hygienic kits and medicines; 3.1. Employment of refugees
 - Project results: Result 1: Vulnerable Ukrainian refugees have access to food items and fresh food. Indicator 1.1: 750 refugees from the KAP community will receive support in the form of food vouchers. Indicator 1.2: 1000 vulnerable refugees from refugee’s placement centers, will receive fresh food in the form of milk, eggs, dairy products. Result 2: Ukrainian refugees

from KAP community have access to essential hygiene/medical supplies. Indicator 2.1: 750 refugees from the KAP community will receive support in the form of hygiene kits. Indicator 2.2: 350 from the KAP community refugees will receive the necessary medicines. Result 3: Ukrainian refugees will have access to local job market. Indicator 3.1: 2 refugees will be employed in the social business “Eco Farm”.

- Project abstract/summary: The project supports the delivery of humanitarian aid for Ukrainian refugees in Moldova. The overall objective is to contribute to the effective emergency response for Ukrainian Refugees from KAP community in Moldova and to other refugees from vulnerable groups.
- The project will provide emergency assistance to meet refugee’s basic needs such as food and hygiene, medical supplies, economical stability and financial independence. The assistance will focus on the most vulnerable. The project aims to assist refugees from the KAP community (HIV-positive people, drug users, sex workers, former detainees, etc.) and their relatives, and also refugees from other vulnerable groups, especially women and children.

3. OBJECTIVES OF THE EXPENDITURE VERIFICATION

The objectives of the expenditure verification are:

1. to provide a professional opinion on the quality of processes and accounting practices within the audited organisation and specifically as applied within the project at hand following point 5 (procedures to be performed by the Auditor)
2. to independently verify that the project mentioned above has been implemented in compliance with the requirements of the following documents of reference:
 - **Legislation:** National legislation, with particular attention to:
 - o Respective social and labour law (including staff and salary regulations).
 - o Regulations on VAT and other taxes
 - **International standards:**
 - o ISA - *International Standards on Auditing*
 - o IFAC – *International Federation of Accountants*
 - o Relevant standards of the local accounting profession
 - o Local legislation on accounting and reporting
 - **Project:** Cooperation agreement relative to the project or to the partner organization(s), Project Documents, Terms of Reference (TOR), Budgets.
 - **Accounting:** Accounting documents subject to the expenditure verification, financial and operational reports concerning the project.
 - **Auditor:** The present terms of reference and the related mandate for financial audit.
3. to assess whether the partner has adequate policies and procedures in place relating to the following matters (those matters are not covered by the audit engagement in accordance with ISA as mentioned above):
 - a. Existence, adequacy and effectiveness of the Internal Control System (ICS)
 - b. Conformity with the project objectives and adherence to the contract conditions
 - c. Economical conduct of business and effective use of financial resources
 - d. Existence of and compliance with security measures to prevent double invoicing/double funding
4. to provide a professional opinion on the quality of the audited organisation’s financial reporting and its suitability for the requirements of the donors.

4. AUDITOR’S MANDATE

The financial audit is to be carried out at the project location (administrative offices and/or decentralised sites, if applicable). In performing his/her mandate, the auditor shall:

- Verify sound financial management, accuracy and completeness of bookkeeping.
- Audit the accounts on the basis of original vouchers.
- Perform accurate controls in order to certify the absence of duplication of funding (i.e.: same costs funded by different donors).
- Verify compliance of expenditures with budget items.
- Verify compliance of expenditures with project duration.
- Verify that there is a clear reconciliation between accounting records, original vouchers and financial data included in the project reports.
- Verify that the financial reports provide a true picture of the project's finances.
- Provide information on the project revenues, including donor transfers, bank interest and indication of applied exchange rates.
- Verify proper application of the applicable procurement regulations.
- Provide information on the treatment of taxes (especially VAT) in the financial reports.
- Proof of the existence of all capital assets and investments purchased with the project funds according to the inventory presented (carry out random physical assets verification).

5. PROCEDURES to be performed by the AUDITOR

The auditor verifies based on original documents that

1. the project is implemented in accordance with the principles of economy, efficiency and expediency.
2. proper book-keeping and sound financial management have been maintained by the Implementing Partner, the related expenditure practices are correct. Generally Accepted Accounting Standards have been met.
3. the project funds have been used in conformity with the Cooperation Agreement and its annexes, in particular:
 - a. the project funds were spent exclusively for project related expenses and solely for the purpose intended.
 - b. costs have been incurred during the implementation period.
 - c. costs meet the eligibility criteria stipulated in the Cooperation Agreement and its annexes.
4. the financial report presented by the Implementing Partner presents the actual expenditure incurred and the revenue received for the project for the respective reporting period accurately.
5. the project expenditures are allocated to the last approved (allocated) project budget.
6. individual expenditures made from grant funds are clear evident from the project bookkeeping and are assigned to the correct budgeted items as specified in the approved Grant Application.
7. where expenditure was apportioned, the applied allocation key was based on sufficient, appropriate and verifiable underlying information.
8. over expenditure in budget categories, if any, lies within the thresholds stipulated in the Cooperation Agreement and its annexes.
9. costs declared in the Financial Statement are justified by the relevant supporting documents in form of genuine and original invoices, receipts and vouchers bearing all necessary information; these original supporting documents are clearly associated with the project and the project's time frame.
10. all expenditures claimed under the financial report have been settled and paid for, no outstanding invoices or accrued costs have been included in the financial report.
11. all necessary supporting documents for employees' costs are available and these costs are reported correctly. Specifically, the auditor verifies

- d. the existence of employment contracts in accordance with the relevant national legislation.
 - e. that the reported employees' costs are calculated correctly in accordance with the approved budget.
 - f. that only actually paid employees' costs have been claimed under the Financial Report and this has been evidenced by the respective supporting documents.
 - g. time sheets specifying the employee's involvement on all projects.
12. accrued interest has been declared.
13. conversion of currency has been calculated correctly, in particularly the conversion into EUR is evidenced by currency exchange receipts and/or respective bank account statements.
14. other revenues originally not foreseen in the financial plan were registered.
15. applicable procurement regulations have been complied with.
16. applicable provisions of social and labour laws in all countries where the project is being implemented have been complied with.
17. applicable provisions of the company and tax laws and regulations have been complied with.
18. regulations on travel expenses have been followed.
19. sub-grants foreseen in the project document have been provided to third parties and have been properly accounted for based on actual costs.
20. requests and recommendations from the previous expenditure verifications regarding any project relevant matters have been considered and implemented.

Additionally

- In case of education and training courses, to examine the relevant invoices, bills, receipts (fees, food, accommodation, transport, etc.) and also the lists of participants.

6. AUDITOR'S REPORT

The auditor shall produce **a draft and a final Expenditure Verification Report** based on the official project budget and exactly reflecting its budget line structure.

The expenditure verification reports must be written in English and contain at least.

- Implementing organisations' name and contact details
- Project number and official project title
- Brief description of the project and partner(s)
- Reporting period and currency
- Exchange rates used in the financial report (to Euro), with detailed explanation of their calculation
- Total amount of budgeted and actual expenditures as indicated in the official direct project budget
- Complete list of reported expenditures classified according to the relevant budget lines;
- Total amount of budgeted and actual incomes
- Complete list of project funds transferred, including donors' names, dates and exchange rates
- Indication on treatment of taxes and especially VAT
- Amount of actual expenditures verified - Expenditure Coverage Ratio
- Objectives, Scope and Description of the procedures performed
- Findings from the expenditure verification
- Recommendations, if applicable
- Follow up of previous recommendations, if applicable
- Other relevant matters
- Reference to contact persons/sources of information from implementing partner organisation during execution of the expenditure verification
- Auditor's name, position, address, phone, fax and e-mail
- Date, auditor's signature
- Inventory list of all goods/equipment procured within the project

7. MANAGEMENT SUPPORT / Contractor's duties

The implementing partner organisation will provide the external auditor with the following material and sources of verification:

- ToR for the external audit
- Cooperation Agreement between Caritas Austria and its implementing partner organisation
- Official project budget
- Financial project reports, including complete list reported expenditures
- Original vouchers/receipts
- Access to the used bookkeeping system
- Access to information related to bank and cash statements
- Any other documents required by the auditor for the performance of his/her tasks

The project managers, the accountants and the staff working on the project will be open to collaboration with the auditor.

8. REQUIRED EXPERTISE

- a) The financial audit of projects is to be carried out by an independent auditor having the required professional competence and experience, and in accordance with generally accepted international auditing standards.
- b) The auditor must not have been involved in the operation's accounting.
- c) The auditor must not personally be connected in any way with the organisation being audited.
- d) The auditor must be a registered audit company in the country of project implementation or in Austria.

9. WORK PLAN

Activity	until	to
Letter/Expression of interest/offer	16/12/2022	Iniziativa Pozitiva AO
Signed contract between auditor and Implementing partner organisation	21/12/2022	Iniziativa Pozitiva AO/
Expenditure verification	22/01/2023	
Sending draft expenditure verification report to Implementing partner organisation	26/01/2023	Iniziativa Pozitiva AO
Feedback from Implementing partner organisation	27/01/2023	Auditor
Finalization of and transmission of the final expenditure verification report	30/01/2023	Iniziativa Pozitiva AO

10. LETTER OF INTEREST, SELECTION PROCESS AND CONTRACTING

10.1. Interested auditors are requested to send a "Letter of Interest" no later than [16.12.2022] to Iniziativa Pozitiva AO

It should include:

- Description of planned implementation of expenditure verification
- Schedule of activities
- Auditor's fees
- Auditor's CV and/or company profile
- Confirmation that the auditor will carry out the expenditure verification in accordance with the Terms of Reference

10.2. Selection of best offer

The best offer will be selected depending on the price, quality and compliance with the terms mentioned in the work plan.

10.3. Contract/ Letter of Engagement

Before carrying out the expenditure verification, a written **contract or engagement letter** (based on the ToR for the expenditure verification) has to be signed between implementing partner organisation and the respective auditor or auditing company.

The expenditure verification contract shall be drafted by the auditor and shall:

- Be written in English
- Include these ToR as an annex and integral part of the contract
- Contain a time schedule for the auditing process (See also Workplan)

11. CONTACTS

11.2. Implementing partner organisation

Office: Address

Contact person 1: email, tel., skype