

Standard Terms of Reference for Annual Audit of Annual Financial Statements

Introduction

The National Assistance and Informational Centre for NGOs in Moldova Contact, hereafter referred to as the 'Cooperation partner' is an active platform of resources, analyses, advocacy, debate and communication for active people, community leaders and civil society organizations that want to contribute to the development of a strong, credible and influential civil society with a high degree of participation of women and men and with transparent and accountable public authorities.

The Cooperation partner wishes to engage the services of an audit firm for the purpose of auditing the annual financial statements, as stipulated in the agreement between Cooperation partner 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 annual financial statements of the organization and all the programmes implemented during the period 01.01.2021-31.12.2021 as submitted to Sida and to express an audit opinion according to ISA 800/805 on whether the annual financial statements of National Assistance and Informational Centre for NGOs in Moldova Contact is in accordance with Sida's requirements for financial reporting as stipulated in the agreement including appendix between Sida and Cooperation partner.

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

Mandatory assignments that must be included:

1. 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.

¹ The International Auditing and Assurance Standards Board (IAASB)

2. 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.
3. Based on materiality and risk the auditor shall examine whether there is supporting documentation related to incurred costs. Regardless of materiality of the findings the auditor shall quantify the amount for costs lacking sufficient supporting documentation.
4. Examine whether foreign exchange gains/losses are disclosed as a separate item in the financial report as well as disclosed in accordance with what is stipulated in the agreement including appendices and generally accepted accounting principles.
5. The cooperation partner's compliance with the applicable tax legislation with regard to taxes (e.g. PAYE)² and social security fees.
6. Follow up whether the cooperation partner has adhered to the procurement guidelines annexed or referred to in the agreement.
7. Review if outgoing balance for previous period is the same as incoming balance for the current period.
8. If the cooperation partner applies modified cash basis as accounting principle, the auditor shall describe used method and describe possible effects on the accrual accounting within the project.
9. Verify the unspent balance at the end of the financial year against accounting records and its supporting documentation.
10. Verify the unspent balance that shall be repaid to Sida in the final report of the last agreement year. (Only applicable in the final report of the last agreement year)

Optional assignments to be included where applicable:

- Follow up whether the cooperation partner has implemented the following recommendations from the assessment of internal control: The examination includes reviewing whether the cooperation partner has implemented the action points as described in cooperation partner's management response that has been submitted to Sida.

² Pay As You Earn

Follow up of funds that are channelled to implementing partners

1. Review whether the Cooperation partner have signed agreements with its implementing partner organisations
2. Review whether the audit requirements in agreements with partner organisations are in accordance with the audit requirements as stipulated in the organisation's agreement with Sida
3. Review if other forms of control of the funds other than audit has been agreed for grants to Third Party.
4. Check the application of rules and procedures regarding sub-granting to NGOs and assumed obligations, indicated in the financing/granting contracts
5. Review whether there is an unbroken chain of audited financial reports according to the requirements as stipulated in the agreement between the cooperation partner and Sida, for funds disbursed the previous year. The review shall include whether the cooperation partner makes documented assessments of the audited financial reports submitted to the cooperation partner and whether these reports are followed-up by the cooperation partner. The review shall also include any observations from auditors that Sida should be informed about.
6. Review whether the same requirements for reporting exchange rate gains and exchange rate losses as stipulated in the agreement between the Cooperation partner and Sida is included in the agreements between the Cooperation partner and its implementing partner organizations.

III. The reporting

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

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 independent auditor's report shall clearly stipulate that the audit has been conducted in accordance with ISA 800/805. The reporting shall also include a Management letter that discloses all audit findings (significant and other findings), as well as weaknesses identified during the audit process. The annual financial statements that has been subject of the audit shall be attached to the audit reporting. The auditor shall make recommendations to address the identified findings and weaknesses. 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 additional assignment according to agreed upon procedures ISRS 4400 under section II, shall be reported separately in a “Report of factual findings”. The size of the sample of reviewed audit reporting shall be stated in the report.

Working plan and reporting schedule:

Work at the office of the Contact Centre – 02.05.2022-13.05.2022

Presentation of the audit report and the management letter, draft version- 20.05.2022

Presentation of the audit report and the management letter, final version- 27.05.2022