

TERMS OF REFERENCE AUDIT

CBM Project No.: P10843

BMZ Project No.: 2024.1857.2

Project Title: Gaza - Strengthening resilience and access to inclusive rehabilitation and protection services in marginalised areas in oPt- Atfaluna

Reporting Entity: Atfaluna Society for Deaf Children

CONTRACTING AUTHORITY: CBM Christoffel-Blindenmission Christian Blind Mission e.v.

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1. Introduction

The present document and the annexes listed in section 9 are the terms of reference ('ToR') on which CBM Country Office Eastern Mediterranean Program (hereafter named Contracting Authority) agrees to engage 'the Auditor' to perform an audit of the funds received and payments made by the Reporting Entity Atfaluna Society for Deaf Children incurred under the BMZ co-financed contract on the cover sheet. These ToR will become an integral part of the contract concluded between the Contracting Authority and the Auditor.¹

¹ Please note that for final audits several particularities apply (in each case highlighted cursive and bold)

2. Background and Objective

The Reporting Entity has received funds from Christoffel-Blindenmission (CBM) to implement the project named on the coversheet of these ToR. The funds transferred by CBM to the Reporting Entity are co-financed by the German Ministry of Economic Development and Cooperation (BMZ). Therefore, the funds need to be disbursed in accordance with BMZ rules and regulations. The Ministry is informed annually about the funds the Reporting Entity received from CBM and the disbursement of these funds.

The objective of this audit is:

-to express an opinion on the project financial statement for the following reporting period:

Annual audits for the years 2024, 2025, 2026, 2027 and 2028 and a final audit, covering the entire duration of the project (01/11/2025-31/01/2029). The different audits are subject of a framework contract.

- to issue reports as stipulated in Section 7

3. Standard and Ethics

The Auditor shall undertake this engagement in accordance with the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants, developed and issued by IFAC's International Ethics Standards Board for Accountants (IESBA), which establishes fundamental ethical principles for Auditors about integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards.

The Contracting Authority requires that the Auditor be independent from the Reporting Entity and complies with the independence requirements of the IFAC Code of Ethics for Professional Accountants.

4. Qualifications of the Auditor

General requirements

By agreeing these ToR, the Auditor confirms meeting at least one of the following conditions and provides written proof:

- The Auditor is a member of a national/international accounting or auditing body or institution which in turn is a member of the International Federation of Accountants (IFAC).
- The Auditor is a member of a national/international accounting or auditing body or institution. Although this organisation is not member of the IFAC, the Auditor commits to undertake this expenditure audit in accordance with the IFAC standards and ethics.

The Contracting Authority is obliged to prove the qualification of the Auditor to BMZ by a confirmation of the German Embassy or a recognised national/international institution (e.g. Chamber of Commerce or official Association of Auditors).

Qualifications

The Auditor has appropriate professional qualifications and suitable experience with IFAC standards and with experience in verifying financial information of projects comparable in size and complexity to the project subject to this audit. In addition, the Auditor should

- have experience with projects related to development cooperation funded by national and/or international donors and institutions.
- hold a relevant university degree or professional qualification. He should have at least 6 years of experience as a professional Auditor or accountant in public audit practice including relevant managerial experience of leading audit teams.

5. Duties of the Reporting Entity

The duties of the Reporting Entity include the following:

- To prepare the project accounting, annual and final financial statement (Template of Annual Financial Statement see Annex 1 and Final Financial Statement see Annex 2) with the voucher lists and all related project documentation in time so that the audit can take place.
- To provide the Auditor with the annual and final financial statements and voucher lists which have been prechecked by the Contracting Authority for the preparation of the audit.
- To provide access to all legal documents, correspondence, bank statements and any other information associated with the project during the auditing period. This includes the following documents:
 - Project Full Proposal
 - Project Contract with approved Budget
 - Revised Budgets (if any)
 - BMZ-TDA Guidelines for the funding of projects incl. special provisions
 - BMZ-Guidelines for external Audits
 - All project-related vouchers (for income, expenditures, transfers, currency exchange, etc.)
 - All project-related contracts (staff and consultant contracts, rent contracts, contracts with constructors etc.
 - All project-related procurement documents including procurement award notices
 - All further project-related documents necessary for the auditor
- To coordinate the Auditors field visit to ensure that he can inspect all equipment/activities agreed during the preparatory meeting:
- To provide a management response to the Auditor's observations that were made during the audit within the given timeframe stipulated in Section 8

6. Task of the Auditor

The audit shall be conducted at the project location, particularly where the project bookkeeping is done. The auditor's assignment includes the following tasks:

- To examine whether all project funds have been used in accordance with the conditions stipulated in the project documents listed above under **5. c. 1. – 4.** with due attention to principles of economy and efficiency, and only for purposes for which financing was granted.

- b. To examine whether internal administrative and financial control measures are adequate and compliant with local laws and donor's requirements as stipulated in the documents listed under 5.c. 1-4.
- c. To examine whether the project accounts have been prepared in accordance with consistently applied International Accounting Standards and whether they give a true and fair view of the financial situation of the project and its resources and expenditures.
- d. To examine the bank account opened specifically for the project and any further bank accounts on which the project funds are administered.
- e. To examine whether the project bookkeeping accounts with all vouchers, supporting documents, records and accounts have been properly kept and correctly filed on **cash book basis**. It is expected that the auditor examines 100% of all supporting documents.
- f. To examine whether expenditures are correctly booked in conformity with BMZ budget lines of the BMZ-financing plan and all vouchers are clearly stamped with the project number.
- g. To examine whether the expenditures documented by vouchers are identical to the annual expenditures reported in the voucher lists.
- h. To examine whether goods and services financed by the project have been procured in accordance with the relevant procurement guidelines as stipulated in the in the documents listed under 5.c. 1-4.
- i. To examine whether contracts of project staff financed by the project are in accordance with national law with regard to social security payment and taxation and whether part-time work is recorded with correctly filled timesheets.
- j. To examine whether the inventory list is complete and correctly filled.
- k. ***In case of final audits, to examine whether over- or underspending of more than 30% in comparison to the financing plan have occurred and to examine the reasons for the deviations.***
- l. To carry out a physical inspection of the project location, equipment procured, and activities as agreed during the preparatory meeting.

7. Audit Report

The Report Audit report shall include the following:

- a. For annual audits, a financial statement in the currency in which the expenditure occurred, according to the format provided in Annex 1.

For final audits, a cumulated financial statement in the currency in which the expenditures occurred, according to the format provided in Annex 2.

In both cases, annual and end of project audit, the financial statement shall include any income received by the project, any interests received on the project bank account as well as all project expenditures during the auditing period.

Each financial statement shall contain notes providing details as deemed necessary by the Auditor.

- b. Complete voucher lists signed and certified by the Auditor.
- c. A stamped and signed inventory list.
- d. An Auditor's certificate which shall contain the following:

We hereby certify that we have audited the Financial Statement of (name of the reporting entity) with reference to the financing of the project (name) on the basis of the following documents made available to us (please list the documents). To this end, we have inspected the books and vouchers and report that:

- (1) Income and expenditure are properly proved in the form of vouchers.
- (2) The proved expenditures are in line with the appointed purpose as set out in the Annex 1 of the Tripartite Contract. ***In case of final audits: Any deviations from the Financing Plan of more than 30% are described and explained separately.***
- (3) The amount and origin of documented income which is accounted for as counterpart contributions made by CBM, the executing agency, the target group and/or other agencies in the project country have been specified.
- (4) The conditions for project implementation set by the donor have been observed/have not been observed in the following points.
- (5) Any particularities which need to be mentioned.

In the certificate the Auditor shall make explicit and concrete statements on each of the areas examined (see point 6.) and audit findings identified. Even if in any of the areas no audit findings were identified, the Auditor shall make a statement on this fact.

- e. In addition to the audit report, the Auditor will prepare a management letter including the following:
 - a. Identified deficiencies and areas of weakness in the financial systems and controls and recommendations for improvement as well as comments and observations on the accounting records that were examined during the audit.

The report shall also include the management response of the reporting entity for each observation raised by the Auditor. Any following audit shall verify whether the recommendation was implemented by the reporting entity.
 - b. A report on the degree of the reporting entity compliance with the financing conditions contained in the Annexes, and comments – if any – on the internal and external matters affecting such compliance.
 - c. Matters that have come to attention during the audit which might have a significant impact on the implementation of the project.

8. Timeframe

Preparatory Meeting and start of the audit

The Contracting Authority foresees a preparatory meeting with the Auditor at the official start for the project held at <name and address of the meeting place should be clearly stated>.

After three months of project implementation, the Auditor will undertake a half-day preliminary examination of the bookkeeping at the Reporting Entity and shall provide the Reporting Entity with recommendations.

The annual audits with the reporting period 1st January-31st December shall start as soon as the annual financial statement of the project is completed by the Reporting Entity, but under no circumstances later than six weeks after the end of the reporting period.

The final audit for the overall implementation period of the project shall start at the latest two months after the project ended.

Timeframe for audit reports

The Auditor will submit a draft report to the Reporting Entity (with copy to the Contracting Authority) within 15 calendar days after the start of the audit and ask for its comments to be received within 5 calendar days.

5 calendar days after receiving the Reporting Entity's comments, the Auditor will submit a pre-final report to the Contracting Authority for comment and approval. Should it not be possible for the Auditor to meet this deadline due to exceptional circumstances, the auditor shall ask the Contracting Authority for approval to extend the deadline. The Contracting Authority may request the Auditor to carry out additional work, in which case a reporting deadline should be agreed on a case-by-case basis.

5 calendar days after receiving the Contracting Authority's comments, the Auditor will submit the final report for the Contracting Authority's approval. Should it not be possible for the Auditor to meet this deadline due to exceptional circumstances, the auditor shall ask the Contracting Authority for approval to extend the deadline.

Once the audit report is approved by the Contracting Authority, the Auditor shall send a scanned copy of the signed and stamped Financial Statement within 3 calendar days to the Contracting Authority by email. The Auditor will provide 3 printed originals of the audit report (in case of final audit 4 printed originals) to the Contracting Authority latest 7 calendar days after the audit report was officially approved.

9. Annexes

1. Financial Statement Template for **Annual** Audits
2. Financial Statement Template for **Final** Audits

Annex1: Template Statement of application of funds for annual audits (Quantitative documentary proof)

Project number: 2024.1857.2 (BMZ Project Number)

Statement of accounts for 20 to 20

Financial statement as at

1		Actual expenditure during reporting period
<u>Expenditure</u>		in local currency
1.1	<u>Aid Goods</u>	
1.1.4.	Capacity Building Workshop	
1.1.5	Service Provision	
1.1.6	Community Sensitisation	
1.1.7	Livelihood	
1.1.8	Accessibility Infrastructure	
1.1.9	Capacity Building Staff	
1.1.10	Mapping/Survey	
1.3	<u>Running Costs</u>	
1.3.1	Office Costs	
1.3.2	Equipment	
1.3.3	Transport	
1.3.4	Vehicle Maintenance/Fuel	
1.3.5	Project Meeting (Planning, Inception Workshop)	
1.3.6	Communication	
1.4	<u>Personnel</u>	
1.4.1	QADER Staff	
1.4.2	Atfaluna Staff	

1.4.3	CBM Staff	
1.5	<u>Monitoring and Evaluation</u>	
1.5.1	Study	
1.5.2	Evaluations	
1.5.3	Audit	
1.5.4	Monitoring Visits	
1.5.5	International Monitoring Visits	
1.6	<u>Other Expenses</u>	
1.6.1	Vehicle	
1.6.2	Safety & Security	
	<u>Total expenditure</u>	
2.	Receipts	Actual receipts during reporting period –in local currency–
2.1	BMZ grant and financial contribution from private executing organisation	
2.2	Contribution from project-executing agency, target group and/or other source in developing country	
2.3	Additional resources (e.g. interest, sales revenue)	
	Total receipts	

3. Financial statement as at	
	– in local currency –
Balance from previous year	
Total receipts current year	

Total receipts current year plus balance from previous year (=total available funds)	
Total expenditure	_____
Balance	_____

It is confirmed that no funds were available for the financing of the project other than the receipts detailed above. It is also confirmed that all expenditure was necessary, that funds were utilized efficiently and economically and that the information given conforms with the books and vouchers.

(Place)

(Date)

(Signature and stamp)

Annex2: Template: Statement of application of Final Accumulated audit (All Years) (Quantitative documentary proof)

Project number 2024.1823.1

Statement of accounts for 20 to 20 Financial statement as at

1	<u>Expenditure</u>	Total appropriation according to Financing Plan of	Actual expenditure	Actual expenditure	Actual expenditure	Actual expenditure	Actual expenditure	Deviation
		[date]	<u>20</u> to <u>20</u> (first year)	<u>20</u> to <u>20</u> (second year)	<u>20</u> to <u>20</u> (third year)	<u>20</u> to <u>20</u> (fourth year)	ALL YEARS accumulated	(Actual total expenditure versus total appropriation)
		in local currency	in local currency	in local currency	in local currency	in local currency	in local currency	– as a % –
1.1	<u>Aid Goods</u>							
1.1.4.	Activity 1.1.1							
1.1.5	Activity 1.1.2							
1.1.6	Activity 1.1.3							
1.1.7	Activity 1.2.1							
1.1.8	Activity 1.2.2 2							
1.1.9	Activity 1.2.3 2							
1.1.10	Activities 1.2.4							
1.1.11	Activity 1.2.5							
1.1.12	Activity 1.2.6.							
1.1.13	Activity 2.1.1							
1.1.14	Activity 2.1.2							
1.1.15	Activity 2.1.3							
1.1.16	Activity 2.2.1							
1.1.17	Activity 2.2.2							
1.1.18	Activity 3.1.1							

1.1.19	Activity 3.1.2							
1.1.20	Activity 3.1.3							
1.1.21	Activity 3.1.4							
1.1.22	Activity 3.2.1							
1.1.23	Activity 3.2.2							
1.3	<u>Running Costs</u>							
1.3.5								
1.4	<u>Personnel</u>							
1.4.48								
1.4.49								
1.4.50								
1.4.51								
1.4.52								
1.4.58								
1.5	<u>Monitoring and Evaluation</u>							
1.5.1.5								
1.6	<u>Other Expenses</u>							
1.6.5								
	<u>Total expenditure</u>							

2. Receipts	Budgeted receipts according to Financing Plan of [date] –in local currency	Actual receipts <u>20</u> to <u>20</u> (first year) in local currency	Actual receipts <u>20</u> to <u>20</u> (second year) in local currency	Actual receipts <u>20</u> to <u>20</u> (third year) in local currency	Actual receipts <u>20</u> to <u>20</u> (fourth year) in local currency	Actual receipts ALL YEARS accumulated in local currency	Deviation (Actual total receipts versus total appropriation) – as a % –
2.1 BMZ grant and financial contribution from private executing organisation							
2.2 Contribution from project-executing agency, target group and/or other source in developing country							
2.3 Additional resources (e.g. interest, sales revenue)							
Total receipts							

3. Financial statement as at

– in local currency –

Total receipts (all years)	
Total expenditure (all years)	./.
Balance	_____
Overspending ²	

It is confirmed that no funds were available for the financing of the project other than the receipts detailed above. It is also confirmed that all expenditure was necessary, that funds were utilized efficiently and economically and that the information given conforms with the books and vouchers.

(Place) (Date)

(Signature and stamp)

² Overspending = Actual total expenditure – Appropriation total expenditure according to Financing Plan