

# Terms of Reference for local auditors

Terre des hommes Mission in Kosova is announcing a call for quotation for the Auditing services of Fondacioni Terre des hommes Lausanne in Kosovo (TdhK) for the year 2025"

## BACKGROUND:

Terre des hommes (Tdh) is the leading Swiss child relief agency. Founded in 1960, we are committed to improving the lives of millions of the world's most vulnerable children. Through our innovative protection and health projects, we provide assistance to over four million children and their families in over forty countries each year.

TdhK is active in Kosovo since 2010, primarily working in the fields of combatting child trafficking, child abuse, neglect and exploitation and the development of a holistic system of protection for children, mainstreaming children's rights and their best interests into social policies, strategies and interventions at the national and local levels through advocacy work, capacity building and creating a strong local presence in close proximity to children, their families and communities.

## A. Applicable auditing standards

Local auditor teams are required to apply the scope of work in accordance with the International Standards on Auditing (ISA) and local GAAPs.

## B. Client expectations / Communication

### **Fondacioni Terre des hommes Lausanne in Kosovo (TdhK) Annual statutory audit:**

The audit opinion should provide reasonable assurance, that the financial statements are presented fairly, in all material respects, and/or give a true and fair view in accordance with the financial reporting framework

We request auditors to provide an opinion whether financial statements are stated in accordance with international accounting standards.

We also request local auditors to comply with the Ethical and Independence requirements.

The annual statutory audit must be based on TdhK accounting system SAGA. In accordance with the accounting practices, only the transactions made by the Delegation (transactions found under accounting books) should be taken in consideration for the audit purpose.

The annual statutory audit does not apply to the detailed transactions made by subcontracted partners (transactions found under extra accounting books). Nevertheless, the subcontracted partner organisation must at any moment justify the open position recorded under Tdh accounting books. Detailed financial documentations (signed financial reports + justificative documentations shared by the sub-contracted partner based on the MoU signed with TdhK) must be accessible and available at the delegation level in case of auditor request.

The final audit report should be shared with the delegation upon completion of the service from the local auditor together with an audit debrief.

### **TdhK Annual statutory audit for the countries selected to be audited from Tdh group auditor:**

All deliverables asked in the specific group auditor instructions and communication related will be sent by the local auditor directly to the Group auditor. The country audit reports, management letter, will have to be answered and signed by the Country representative. Audit debriefing held locally will be done on those documents.

### **Swiss Development and Cooperation (SDC) Annual statutory audit (program contribution):**

In the frame of the annual global contribution received by SDC, separate audit report is requested to the delegation. Such audit (the SDC annual audit) must be based on TdhK accounting system SAGA. The report needs to comply with the

International Standards on Auditing ISA 805 The SDC final audit report should be shared with the delegation upon completion of the service from the local auditor.

**SDC Specific audit (Consortium & Mandates):**

In the frame of implementation of projects funded by dedicated SDC funds or mandates and run directly or via consortium **(with contract stipulating that an annual audit must be produced and delivered)** a separate audit report in accordance with the International Standards on Auditing ISA 805 is requested. The SDC final audit report should be shared with the delegation upon completion of the service from the local auditor.

**Annual obligatory financials:**

Balance Sheet, Profit and Loss Statement, Cash-Flow Statement, Owner Equity Statement requested by the local government / tax authorities, must be worked separately, and delivered to the respective institutions within the set deadlines. The work done during the statutory audit (and the certified report delivered from local auditors) can be used as a basis for preparation of the yearly financials requested by the local authorities. The same applies if the formats requested by country regulations differs from the one available.

## Recapitulation tables of main deliverables and deadlines:

<b>Audit type / report</b>	<b>Deliverables</b>	<b>Deadline</b>
<b>TdhK Annual statutory Audit</b>	Separate audit report (including detailed documentations as per ToR)	28/02/2026
<b>TdhK Annual statutory audit for countries selected to be audited by Tdh Group Auditor</b>	NO separate audit report (ONLY exchanges of questionnaires between HQ Auditor and Local Auditor)	28/02/2026
<b>SDC annual audit</b>	Separate audit report addressed to SDC (including detailed documentations as per ToR)	28/02/2026
<b>SDC specific audit (Consortium &amp; Mandates)</b>	Separate audit report addressed to SDC (including detailed documentations as per ToR)	N/A
<b>Local government yearly obligatory financials</b>	Separate reports (including financials as per local government request - generally Balance Sheet, Profit and Loss Statement, Cash-Flow Statement, Owner Equity Statement)	As per local government deadlines (generally 31/03/2026)

### 1. TdhK Annual statutory audit

### 2. SDC Annual audit – Program contribution

### 3. SDC Specific audit mandated during the annual audit

For all countries

For countries with SDC consortium project or specific mandates with contract stipulating that an annual audit must be produced and delivered

- A. Independent audit report with the audit opinion.
- B. Financial audit report
- C. SAGA audit report & trial balances
- D. An Independent confirmation of the balances of TdhK's Bank accounts at 31/12.
- E. Letter of recommendation with response from the relevant TdhK members in the country and HQ on the points highlighted.
- F. TdhK audit questionnaire filled and signed.
- G. Representation letter signed by TdhK management.
- H. Annex:-List of fixed assets at 31/12 and depreciation annex if requested by country legal requirements.
- I. Annex - List of donations in kind valued at the lowest price of the local market value.
- J. Debriefing of the audit is undertaken with the country Tdh management included in videoconference and at least one HQ Finance person.

- A. Independent auditor report.
- B. Letter of recommendation with response from the relevant TdhK members in the country and HQ on the points highlighted.
- C. Audit questionnaire
- D. Auditor selection approval by the SDC either country or regional office, or SDC HQ Bern (a letter or an email from SDC office justifying accreditation of local auditor).

- A. Independent auditor report.
- B. Letter of recommendation with response from the relevant TdhK members in the country and HQ on the points highlighted.
- C. Ledger of the SDC project costs and incomes.
- D. Time sheets (SDC and TdhK co- funding included).
- E. List of yearly exchange rate used in accounting system SAGA.
- F. Signed financial report to SDC showing separately the annual costs and incomes received. Division of HQ and countries costs shown separately.
- G. Auditor selection approval by the SDC either country or regional office, or SDC HQ Bern (a letter or an email from SDC office justifying accreditation of local auditor).

## C. Audit instructions

### 1. TdhK Annual statutory audit:

The Local Auditor teams are required to apply the below set of audit instructions specifying requested tasks and controls to be performed in order to deliver the final audit report/s. These instructions contain;

- 1.1 Company certification;
- 1.2 Applicable auditing standards;
- 1.3 Ethical requirements, including independence;
- 1.4 Client expectations / communication;
- 1.5 General information;
- 1.6 Financial reporting framework;
- 1.7 Key Accounting principles and disclosure requirements;
- 1.8 Key controls to undertake;
- 1.9 Audit planning;
- 1.10 Audit deliverables.

#### 1.1 Company Certification

The Audit shall be carried out by an independent auditor, which has the required professional competence and experience, e.g. licensed by a national audit oversight authority, with experience in auditing International NGOs with an extended number of projects funded by institutional donors like EU, USAID, etc.

#### 1.2 Applicable Auditing Standards

Local auditors are required to apply the scope of work in accordance with the International Standards of Auditing (ISA) and local GAAP.

#### 1.3 Ethical requirements including independence

Local auditors are responsible for forming a conclusion on compliance with the Ethical and Independence requirements and confirm to TdhK that, in respect of the engagement, the auditor is independent in accordance with the independence requirements of the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code).

#### 1.4 Client expectations / communication

Tdh HQ management and Tdh Foundation Council expect local auditors and TdhK country management to comply strictly with the annual audit deadline. Therefore, HQ Accounting Unit requests that all finalized signed documentations (meeting legal and other management expectations) are shared with HQ within the set deadline of 28/02/2026.

Should the auditor anticipate any problems in meeting the deadline, TdhK country management should be contacted and consequently will liaise with HQ Accounting Unit (Finance Director, Head of Accounting and Head of Field Accounting Unit). Draft documents, including highly significant issues (i.e. a material financial impact and/or involving high risk for the delegation) should be shared by the local auditor with the TdhK country management team in advance for discussions and corrections prior to receiving the final signed documentations. TdhK management expects from local auditors to refer to the previous year audit opinion / management letter points to have a clear picture of possible existing accounting and auditing issues.

#### 1.5 General information

**Accounting system in place:** TdhK uses SAGA software in all implementing countries. SAGA is primarily a financial software developed to follow up the NGO business model (and ease donor financial reporting) while an indirect double entry system where the contra entry account can be identified via usage of different books and accounts.

Delegations follow a cash basis modified accounting (cash based during monthly closures including some accrued expenditures on payment of insurances while applying annually accrued/regularisation during year-end for regularisation of prepaid incomes and expenditures).

The monthly exchange rates are recorded in SAGA (multi-currency software) using OANDA rates (first day of each month rates of CHF against other currencies found at [www.oanda.com](http://www.oanda.com), website).

As primarily a financial software (developed to follow up the NGO business model) yearly financials (Balance Sheet, Profit and Loss Statement, Cash Flow Statement, Owner Equity Statement) are not able to be produced directly from the system. Nevertheless, via usage of multi-currency trial balances, and multi selectors, statutory financials can be produced externally.

**Foundation background:** Background information on the Foundation is available on the website: <https://www.tdh.org/en>. At the country level financial statements are prepared and finalised separately (consolidated in local currency) while consolidated later at HQ level representing the global situation of the foundation.

Key HQ personnel, including (if any) changes during the past year:

Name	Position	Email Address
Grégory LEPINE	Finance Director	gregory.lepine@tdh.org
Pierre Yves BACHMANN	Head of Accounting	pierre.bachmann@tdh.org

### 1.6 Financial reporting framework

Local audit teams are required to apply the scope of work in accordance with the International Standards of Auditing (ISA) and local GAAP while performing the work with a specific focus on **'significant risks, including risks of material misstatement due to fraud'** identified in the financial statements:

- Inadequacy in Segregation of Duties system;
- Material errors due to deviation from Tdh accounting principles and policies;
- Incorrect expenditure and income recognition;
- Inappropriate use of funds (inappropriate usage of donor funds non-compliant with the donor requirements/ agreed objectives and scope of funding);
- Non-compliance with the country's labour and social security legislation;
- Accounting vouchers not providing sufficient evidence on transactions executed;
- Insufficient controls, supervision and documentation when working with implementing partner (MoU, transfer to partners, financial reports);
- Identification and evaluation of risks, litigations, and provisions;
- Logistic policies (thresholds, signatures) and documentations (purchase requests, purchase orders) not up to date, not followed, and not adequately justified;
- Bank signature authorizations not following the principles of Tdh signatory policy;
- Accounting policies have been consistently applied by Tdh and are consistent with those used in the previous year;

Identification of any issues that may represent a significant risk of material misstatement of the financial statements other than those noted above, should be disclosed in the 'Management Letter'.

Kindly inform immediately, on top of the local management, Grégory Lepine (Finance Director) and Pierre Yves Bachmann (Head of Accounting) if identification of issues representing a significant risk of material misstatement.

### 1.7 Key accounting principles and disclosure requirements

The following key audit matters (or jurisdictional equivalent) are included in HQ global auditor instructions:

The accounts are prepared using historical costs base accounting principles (goods acquired for consideration are recorded at their acquisition cost, goods acquired free of charge at their market value or use value, and the products are recorded at their cost of production or construction).

The accounting periods are determined by transaction date principle; expenses as well as revenues are booked to the period. They give a true image of the capital of the company, the financial situation, and the results.

The following provides a summary of the key accounting policies and disclosure requirements that are applied by Tdh and procedures to be performed by the local auditor.

**Related parties are:** Donors, delegations of other countries and regions, sub-contractors/partner organisations, contracted for implementation of specific project/s.

**Foreign currency translation:** Operations in foreign currency are registered using the exchange rate of the accounting month (SAGA uses the rates at the first day of each month from Oanda, [www.oanda.com](http://www.oanda.com), website). The balances of assets and liabilities on December 31 are converted from the foreign currencies into the country official currency based on the exchange rate valid at national bank level reference on December 31.

**Cash in hand (liquidity):** Cash includes amounts appearing under delegation safes and bank account/s.

**Receivables, prepayments and accrued income and expenditure:** Receivables prepayments and accrued income and expenditure are shown at their nominal value, after deducting corrections to the necessary value (calculating the yearly transactions related to).

**Fixed assets and depreciation:** TdhK uses equipment and vehicles as part of its projects abroad; such equipment and vehicles are accounted for as expenses upon acquisition and are therefore not capitalised in the balance sheet. This situation is justified by the uncertain contexts and difficult conditions in which Terre des hommes, operates, which makes it difficult to ascertain their useful life, which is generally short, and any residual value.

**Financial assets:** Financial assets are entered in the balance sheet at acquisition value, taking into account any necessary adjustments.

**Provisions:** Provisions are created when there is a probable cash outflow resulting from a past event for which the value and/or term is uncertain but can reliably be estimated. These provisions are considered short-term if the estimated use is less than twelve months, or long-term if the use is more than twelve months.

**Income at country level / Revenue Recognition:** Income from fund donated is recorded with respect to the wish of the donor. Institutional income is recorded according to the contract signed between TdhK and the fund sponsor considering the expenses incurred. All income received without special notice is allocated to the unrestricted fund. Income from financing contracts with donors (governments, foundations, cantons, companies, and other bodies) is listed as income in the year the expenditure being financed was incurred. Funds received for a specific project, which have not been used at the book closing date and will continue to be used in the coming years and for which there are contractual provisions specifying the possibility of returning the asset to the donor, are recorded as liabilities in Funds received in advance. Funds not received for a specific project for which the financed expenditure is committed at the book closing date, are recorded on the balance sheet as contribution receivables. TdhK does not request local auditors to get donor certification for those balances.

**Valuation of gifts/donations in kind received:** Gifts received in form of services or merchandise are valued at the lowest price on the local market. Volunteer work free contributions are valued at the minimum daily worker legal daily wage. Those amounts should be reported in the financials annexes.

## 1.8 Key controls to undertake

### 1.8.1 General controls

- Verification existence of signed and written contractual agreements with partner organisations;
- Verification of funds received from Tdh HQ and donors for the implementation of projects;
- Verification that goods purchased with donor funds are used as per project objective. Allocation of expenditures in conformity with donor budgets;
- For project implemented by the delegation, verification of expenditures through examination of a sample of supporting documentation;
- Verification of office expenditures (salaries, office rent, travel expenses, allowances, social security benefits, etc.) through examination of a sample of supporting documentation;
- Verification compliance of local contracts (employment contracts, renting contracts, consultant contracts) with local legislation requirements;
- Verification of HR costs (correctness payroll calculation, staff taxes calculation and payments in compliance with the local legislation requirements), staff contract, annual leaves, timesheets etc...;
- Identification and evaluation of risks, litigation, and provision;
- Verification of delegation procedures (finance, logistic, HR) application with a special focus on segregation of duties. Verification of procedures effectiveness and weaknesses;
- Verification of in country VAT status registration and check compliance with the local requirement (declaration, payments, etc);
- Verification of exactness of accounting entries including codification of accounting entries (assets, liabilities, incomes, expenditures) according to the organisation chart of account;

- Verification of delegation open positions (payables, receivable, prepaid incomes, prepaid expenditures) correctness and balance presentation under delegation financials;
- Verification of the existence and respect of purchasing procedures;
- Verification that all corrections required from any previous audit has been carried out;
- Verification of the vehicle logbook and verification that possible private use of vehicles has been invoiced and paid;
- Verification of the SAGA audit reports by currency and certification of each;
- After discussion and approval with the Tdh management, any other verification that the auditor may consider useful in the execution of his mandate.

### **1.8.2 Specific audit work with local partnerships**

- For subcontracted project review of implementing partner organisation audited financial statement. If no audited financial statements, verification of partner's project expenditure reports. The subcontractors/partner organisations must justify and certify the amounts received by Tdh and used for project implementation.
- Verification of the existence and respect of the Tdh head office instructions. Make sure the process works correctly and controls are in place.
- Selection process of the partner whether the partner is compatible and likely to be trustworthy for Tdh (program management, performance framework, procurement & financials and additional conditions, reporting) etc.
- In relation with the agreement(s): Review the general terms and conditions on which the funds are made available, including how and when they are disbursed, procurement requirements that are applicable and the program / financial reporting that the partner must fulfil, etc.
- Disbursements and control processes: control the reviews of the progress update and disbursement request. Check who reviews the budget (expenditure and cash balance), indicators (monitoring & evaluation and procurement) and performs a contextual review. Assess the controls done by the Country team and the controls done by the financial control.

### **1.8.3 Specific audit work for bank certification**

Certification at 31/12 of the bank accounts balances used by TdhK: Auditor should ensure correctness of all bank accounts balances as of 31/12 via checking of balances appearing in the accounting system and comparing them with balances appearing in the bank statements and bank reconciliations, including balances appearing in TdhK accounts certification at 31/12 received by the bank administration. A standard independent letter, prepared by the delegation, should be sent to the banks requesting certification of bank balances used by TdhK as at 31/12. This letter states that the certification is to be sent to the group auditor head office and to the auditor in the country.

#### **Bank account confirmation methodology:**

- The delegation receives a sample letter from HQ and sends it to the bank(s). The methodology and content of this letter are validated by Terre des hommes' global auditor and contains all the elements that the bank(s) must certify;
- This letter is signed by the delegation (TDH representative in the country);
- A scan of the signed letter is sent to HQ (Head of Treasury Loïc JAUNIN [loic.jaunin@tdh.org](mailto:loic.jaunin@tdh.org));
- The delegation sends the original signed letter to the bank/s;
- The delegation follows that this letter is well received by the responsible / focal point person at the bank/s;
- The delegation informs Terre des Hommes HQ of any problems encountered during this process;
- The delegation ensures that the bank confirmation is received by the country's auditor;
- The delegation ensures reception of a copy of the bank confirmation;
- The HQ Head of Treasury Loïc JAUNIN ensures that the HQ auditor receives the bank certifications;

**Bank signature policy** - Joint signatures by two (obligation to be signed by the TdhK representative in the country). The auditor ensures compliance with this policy. Any change to this policy must be accompanied by a waiver signed at Headquarter by the Treasurer or the Finance director of Terre hommes.

## 1.9 Audit planning

Task	Responsible	Deliverables
Kick-off statutory audit meeting	Country Management + Local Auditor	Minutes of meeting
Draft reports meeting	Country Management + Local Auditor + Financial Controller/ Regional Finance Coordinator + Regional Accountant	Draft reports including management letter response from Tdh management
Closing meeting	Country Management + Local Auditor	Minutes of Meeting

## 1.10 Audit deliverables

Annual Statutory Audit Documentations	Responsible	Deadline
Independent audit report including audit opinion	Local Auditor	28/02/2026
Financial audit report including SAGA audit report certified	Local Auditor	28/02/2026
Certified SAGA audit report including trial balances	Local Auditor	28/02/2026
Independent confirmation of TdhK bank account balances as of 31.12.2025	Local Auditor	28/02/2026
TdhK audit questionnaire filled and signed	Local Auditor	28/02/2026
Annex: List of fix assets depreciated at 31.12.2025	Local Auditor	28/02/2026
Annex: List of donations in kind received by TdhK	Local Auditor	28/02/2026
Management letter including TdhK management response	Local Auditor	28/02/2026
Management representation letter signed by TdhK management	TdhK delegation management	28/02/2026

## 2. SDC annual audit:

SDC annual audit in accordance with the International Standards on Auditing (ISA 805) is performed during the same timing of the annual statutory audit work and Tdh management requests from the local auditors specific extra tasks to be undertaken during this period including delivering of a separate audit report addressed to SDC complying with SDC program contribution rules.

In attachment, file "SDC ToR Financial audit (International Cooperation Programme)" with ToR including questionnaire, management letter template and independent auditor report template.

**SDC annual audit deliverables:**

SDC Annual audit documentation	Responsible	Deadline
Independent audit report including audit opinion (addressed to SDC)	Local Auditor	28/02/2026
SDC audit questionnaire filled and signed	Local Auditor	28/02/2026
Management letter including Tdh management response	Local Auditor	28/02/2026
Management representation letter signed by TdhK management	TdhK delegation management	28/02/2026
Auditor selection approval by the SDC	TdhK delegation management	28/02/2026

**3. SDC specific audit (Consortium & Mandates):**

Specific annual audit work will be mandated to the local auditor if coming under the following possible scenarios:

1. **For SDC consortium** (i.e. Wash Consortium and Wash Transform) local auditors are responsible to deliver below list of documents as per attached ToR;
2. **For SDC mandates** local auditors are responsible to deliver below list of documents **ONLY IF** requested under the **signed agreement with the donor**.

Carry a specific annual audit on the project, in accordance with the International Standards on Auditing ISA 805. The work of the local auditor should be in accordance with the ToRs and audit instructions and according to the assigned and agreed deadline. The following documents should be submitted at the end of the work by the local auditors;

In attachment, file "SDC ToR Financial audit (Projects)" with ToR including questionnaire, management letter template and independent auditor report template.

**SDC Specific Audit deliverables: N/A**

SDC specific audit documentation	Responsible	Deadline
Independent audit report including audit opinion (addressed to SDC)	Local Auditor	N/A
SDC audit questionnaire filled and signed	Local Auditor	N/A
Management letter including Tdh management response	Local Auditor	N/A
Management representation letter signed by TdhK management	TdhK delegation management	N/A
Auditor selection approval by the SDC	TdhK delegation management	N/A
Ledger of the project costs and incomes. HQ and countries costs and revenues are separated	Local Auditor	N/A
Working time registration/time sheets (all the staff in the project including the one funded by SDC and/or TdhK)	Local Auditor	N/A
List of the year exchange rate used in the accounts (SAGA accounting system's list of rates)	Local Auditor	N/A
Financial report for SDC signed showing the annual costs and incomes received in-country. HQ and countries costs, and revenues are separated.	Local Auditor	N/A

All qualified companies are strongly encouraged to apply and to submit the following documents to [kos.application@tdh.org](mailto:kos.application@tdh.org) :

The application should contain the following information:

- Business Registration Certificate; Fiscal number; VAT
- Auditor License
- Number of staff and list of certified chartered accountant staff
- Audit methodology, plan including working hours and timeline
- Financial proposal (without VAT)

### **Selection Criteria for Audit Company**

- Minimum 5 years of proven experience in auditing non-profit organizations, international NGOs, or donor-funded projects (Provide at least three references from organizations for which similar audits were performed in the past 3 years) – 40%
- CV of the Audit Team and Audit methodology, plan including working hours and timeline – 30%
- Financial proposal – 30%

### **PLACE OF AUDITING PROCESS TO BE CARRIED OUT:**

The Audit will be carried out in the offices of Fondacioni Terre des hommes Lausanne in Kosovo (TdhK), Street "Mujo Ulqinaku", No.18, Prishtina, Kosova.

The auditor shall adequately plan the audit well in advance the work and ensure the execution of the audit process of highest professional quality in an economical and efficient manner and within the agreed timetable.

For the year 2025 for TdhK Kosova, relevant information is provided below:

- Number of main projects and donors – 13 projects (CARING2.0, EU-CS, FEDEVACO, MASHTI, Ministry of Justice (MJ), Municipality of Prizren (MOP), Municipality of Prishtina (PRIST), PRIVATE FOUNDATION, SAFE BEHAVIOUR (SBII), SDC-SJ2, SOS, UNICEF, UNITY)
- Approx. Annual Budget: CHF 900'023
- Number of employees – average 25 employees

Please include “ **Annual auditing services of Fondacioni Terre des hommes Lausanne in Kosovo** ” in the subject line. Please note that applications received after the deadline will not be considered. Application for this service will be open from 14th of October 2025 until 28th of October 2025 at 17:00 o'clock.

### **Ethical considerations:**

Tdh (including staff members, contractors, consultants) are committed to respect Tdh Risk Management Policies including Child Safeguarding Policy, Safety and Security Policy and Anti-Fraud/Corruption Policy, Whistle Blowing Policy. For more please refer to the following link <https://www.tdh.org/en/about-us/ethics-committments>

### **GDPR compliance:**

Your privacy is important to us.

By sending your application, you agree that your personal data will be used in selection process. Any personal information provided by you during the application process will be treated with confidentiality and used solely for the purpose of evaluating your candidacy for employment. Rest assured that your data will not be shared with third parties without your explicit consent and will be securely stored in accordance with applicable data protection laws.

## TERMS OF REFERENCE for Swiss NGO with International Cooperation Programme

### FINANCIAL AUDIT of country programme with multiple projects or of a single project (hereinafter 'Audit')

The financial information for one or more projects within the country shall be audited in accordance with International Standard on Auditing (ISA) 805 'Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement' for single project audits.

#### 1. Fundamental principles

1.1 The Audit shall be carried out **either** for the **country programme with multiple projects or for a single project** by an independent auditor, which has the required professional competence and experience, e.g. licensed by a national audit oversight authority ('the Auditor'), and in accordance with the International Standards on Auditing (ISAs).

1.2 These Terms of Reference ('TORs') define the mandate of the Auditor in connection with the Audit of the projects/programmes of the cooperation/implementing partner ('the Partner') financed by the Federal Department of Foreign Affairs (FDFA). The Audit is based on the professional requirements and guidelines governing the professional work to be undertaken by auditors.

1.3 In planning, conducting and reporting on the Audit, the Auditor shall follow the **ISA 805**.

In addition, the Auditor shall give due consideration to the relevant standards of the local accounting profession as well as the local legislation on accounting and financial reporting in force in the country in which the Audit is carried out.

#### 2. General procedural principles

The Auditor is required to plan, perform and report on the Audit in order to assess the following matter:

- **2.1 Regularity of the accounts**

Furthermore, the Auditor is required to assess separately whether the Partner has adequate policies and procedures in place relating to the following matters (**these matters are not covered by the audit engagement in accordance with the ISA, as mentioned above, but are substantiated by means of the attached Questionnaire and/or Management Letter**):

- **2.2 Existence, adequacy and effectiveness of the Internal Control System (ICS)**
- **2.3 Conformity with the project objectives and adherence to the terms of the contract**
- **2.4 Economical conduct of business and effective use of financial resources**

In order to assess these procedural principles, the Auditor shall consider the questions in the attached Questionnaire (Annex 1). While item 2.1 shall be reflected in the audit report prepared in accordance with the ISA, items 2.2 to 2.4 do not constitute an audit in accordance with an international standard and no formal assurance is required. These items shall be reflected separately in the answers of the Auditor to the Questionnaire in Annex 1 and recommendations to the management shall be formulated in line with Annex 2 (Management Letter).

With regard to principle 2.3, the questions in the Questionnaire and items in the Management Letter refer to the locally paid and reported expenses which are within the scope of the Audit and do not include project expenses that are centrally budgeted, calculated and charged to the project and paid or recorded outside of the country of implementation.

The Auditor shall clearly state and provide reasons for any expenses not budgeted and paid in the country of project implementation, or are not part of the local accounts, which are included in the statement(s) of expenditure as per the Annex to the audit report.

#### 3. Reference documents

In performing the Audit, the Auditor shall give due consideration to the following basic reference documents and matters:

Legislation:	National law
Projects:	Cooperation agreement relative to the project or to the Partner Project Document / TORs Contract and work performed by subcontractors (if applicable) Budgets, financing plans, programme of project activities Project/programme management procedures Audit engagement letter describing the scope, terms and costs of the country audit Any other documents concerning the project/programme (e.g. operational and administrative manuals)
Accounting:	Accounting documents subject to the Audit Financial and operational reports concerning the projects Financial manuals/procedures
Auditor:	Prior internal and external audit reports of the Partner Any other information requested from the Partner by the Auditor

#### **4. Planning the Audit**

The Auditor shall adequately plan the Audit well in advance of the work and ensure that the Audit is performed to the highest professional standards and in an economical and efficient manner as agreed in the contract between the Partner and the Auditor.

On the basis of the information received during the planning phase, including the Auditor's risk assessment, the auditor shall determine:

- the type of transactions to be audited and the audit methods (full audit or sample selections);
- the type of physical counts or examination and the sites to be selected;
- the number of site visits to be planned.

The Auditor shall ensure continuity in the audit approach used for the Audit and by the audit team, even if there is a change in the leader of the engagement team from the prior year.

#### **5. Place of Audit**

The Audit shall be carried out at the country office and in the project environment (administrative offices and/or decentralised sites, if applicable).

#### **6. Management representation of full disclosure**

The Auditor shall obtain a letter of representation signed by the Partner's management stating that

- a) the Partner acknowledges its responsibility to keep accounts and financial documents that are correct, complete, fair and represent the true facts and are in accordance with the objectives of the project, the reference documents (description of the project, contracts, budgets, etc.) and national legislation;
- b) all accounting records, supporting and other documents, minutes and any other pertinent information necessary for the Audit will be made available to the Auditor;
- c) the information regarding tangible assets and property is complete;
- d) the information regarding financing received or due and the Partner's own financing relating to the audited period for the projects being examined is complete;
- e) any information and explanations that may be required by the Auditor in the performance of its mandate, either verbally or in writing, will be provided.

#### **7. Detailed audit procedures**

The Auditor shall apply appropriate audit procedures in order to form a conclusion on the matters outlined below. The procedures applied, either on a full coverage or a sample selection basis, may include controls, checking, evaluations, inspections, interviews, analysis and other audit techniques. When selecting the audit procedures, the Auditor shall give consideration to the results of its risk assessment (during the planning stage and during the course of its audit work).

Accordingly, the Auditor must define and carry out suitable audit procedures in order to obtain an overview of the aforementioned aspects before the Auditor assesses the individual findings and reaches a final independent opinion on the Audit.

The Auditor is expected to select and apply any other audit procedures that the Auditor may consider necessary in the professional performance of the audit engagement.

Upon receipt of the audit report, the FDFA, or any third parties designated by the FDFA, reserve the right to request other audit procedures to take account of any change in circumstances relating to the project or the Partner.

In addition, in order to ensure adherence to the principles set out in section 2 above, the Auditor shall consider the questions in the attached Questionnaire (template in Annex 1). Any 'no' answers must be included as recommendations in the Management Letter (template in Annex 2).

## **8. Closing meeting**

After the completion of the Audit, but before leaving the project or the premises of the Partner, the Auditor shall hold a closing meeting with the persons responsible for the project/programme (directors) and the staff responsible for accounting and reporting. The meeting shall address the results of the Audit, discuss major weaknesses in the project, administrative and financial management (including any shortcomings identified for individual staff members) and make recommendations to improve project management, accounting procedures and the internal control system (ICS).

## **9. Audit deliverables**

The audit report of the Auditor shall provide an opinion on the financial information of the Partner in accordance with the ISA (template in Annex 3).

The answers to the Questionnaire (template in Annex 1) and recommendations to the management (template Management Letter in Annex 2) for the projects as well as the letter of representation shall be provided as separate deliverables together with the audit report.

### 9.1. Currency and language of the audit report

The financial information contained in the audit report of the Auditor shall be expressed in the accounting currency. The audit report of the Auditor and all other documents resulting from the audit engagement must be prepared in English, French or Spanish.

### 9.2. Signature

The audit report shall be signed by the leader of the audit team. The financial report for the audited project provided by the Partner shall be signed by a representative of the Partner's management.

Place and date: \_\_\_\_\_

For the Partner: \_\_\_\_\_

For the Auditor: \_\_\_\_\_

- Annex 1: Questionnaire on the general procedural principles (2.2, 2.3 and 2.4)
- Annex 2: Management Letter
- Annex 3: Independent auditor's report (basis: ISA 805)

## Annex 1

### QUESTIONNAIRE

Instructions to the local Auditor: a comment is required where this may help explain or clarify the situation. If the answer is 'n/a' a comment/explanation must be provided. If the answer to any of the questions is 'no', a further explanation must be included in the Management Letter.

Please specify the scope and number of samples in response to questions, as appropriate.

Questions	Yes	No	n/a	Comments
<b><i>Existence, adequacy and effectiveness of the Internal Control System (ICS) – Principle 2.2</i></b>				
1. Is the internal organisation (structures, functions, tasks, competencies, responsibilities, methods, procedures, segregation of duties, etc.), based on your impression, appropriate for the Partner's size and operations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2. Are duties for risk-related functions and processes sufficiently segregated (e.g. entering into obligations, entering into and signing contracts/agreements, authorising and accounting for expenditure, making payments, reconciling cash in hand and in banks, following up outstanding accounts receivable and accounts payable, incl. signatory list)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3. Are you confident that the Partner's ICS is appropriate for its size and type of activities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
4. Is the ICS known, applied and documented?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
5. Are you confident that applicable laws, rules and regulations (e.g. relating to taxes, salaries, social contributions, etc.) have been complied with?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6. Is an organisation manual containing local context-specific rules (thresholds for amounts and number of offers to be solicited for local procurements of goods and services, cash limits, etc.) available and are these rules followed? Are the rules in line with local legislation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7. Did you obtain an understanding of the design of the information and financial reporting system?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
8. Has the Partner advised staff, beneficiaries, etc. to whom they should report any suspected fraud, misuse, or waste of resources or property?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Questions	Yes	No	n/a	Comments
<b>Conformity with the project objectives and adherence to the terms of the contract – Principle 2.3</b>				
9. Is it ensured that project agreements signed between the FDFA and the Partner and, if applicable, between the Partner and subcontractor(s) exist before any payments are made?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
10. Are the locally paid expenses in accordance with the description and objectives of the project agreement (incl. subcontractors)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
11. Are approvals for variations from the budget/work plan required before expenditure is committed and incurred?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
12. Are the local project expenses in local accounting currency expressed in a local financial report and are these transactions the basis for the auditor's report?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
13. Are the payments falling within the scope of the Audit in accordance with the financial terms of the contract and in line with the agreed budget?  (Budget comparison only possible if reporting of local expenses & income and contractual budget is available for local expenses and in local accounting currency).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
14. Do the officers responsible for the project (operational and finance staff) visit field activities for monitoring, evaluation and control purposes and are the findings from these visits documented, communicated and followed up?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
15. Is a written confirmation of the balance of the FDFA's contractually agreed project advances available and reconciled at financial year-end?  (Must be provided if the advances are paid locally in local currency. Confirmations in CHF must be provided at HO if the balances cannot be reconciled with national books).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
16. Have the points raised by the Auditor in the Management Letter in previous years been resolved adequately and/or are they properly monitored by the management?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Questions	Yes	No	n/a	Comments
17. Is it ensured that any significant issues (e.g. fraud, corruption, management override of controls, etc.) identified in the course of the Audit have been communicated to the client in the closing meeting and stated in the audit report?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
18. Are the Partner and any subcontractor(s) compliant with regard to national tax regulation procedures on the procurement of material and services for the activities funded by FDFA?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
19. Are there instructions on the approval of expenses (e.g. second-pair-of-eyes principle and definition of approval/procurement/recording authorities for payments) and are they followed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
20. Is the correct application of official local guidelines for local lump-sum allowances and local fees ensured?				
21. Is it ensured that the Partner has established a system which correctly accounts for labour hours on projects (services actually rendered) in order to avoid double-charging of expenses (e.g. to different projects)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
22. Is a system in place which ensures that tangible assets belonging to the project(s) are maintained and protected?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Questions	Yes	No	n/a	Comments
<b><i>Economical conduct of business and effective use of financial resources – Principle 2.4</i></b>				
23. Do adequate measures and procedures exist to ensure economical and effective utilisation of committed resources only for the project intended?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
24. Is it ensured that a process exists for regular verification of local prices and rates for materials, services and overheads?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
25. Are all locally incurred expenditures of expatriate employees and local staff checked and substantiated (salaries, tax, rent/accommodation, building charges, travel expenses, communications, per diem, etc.)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
26. Are there instructions on the non-use or conditions attached to the use of project/programme property and infrastructure (vehicles, equipment, mobile phones, etc.) for private purposes?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
27. Are there instructions for the use of equipment after the end of a project?  (For assets donated or fully third-party financed: charges, e.g. mileage, can only include actual operating costs).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b><i>Any other issues</i></b>				
28.				

## ***Annex 2***

### **Management Letter** *(suggested format)*

*Project/programme – financial statement period from xxx to xxx:*

*Partner's name and address*

*Auditor's name and  
address*

*Date and signature*

The Auditor was required to assess, using the enclosed questionnaire, whether the Partner has adequate policies and procedures in place relating to the following matters:

- **Existence, adequacy and effectiveness of the Internal Control System (ICS)**  
(principle 2.2 as mentioned in the ToRs)
- **Conformity with the project objectives and adherence to the terms of the contract**  
(principle 2.3 as mentioned in the ToRs)
- **Economical conduct of business and effective use of financial resources**  
(principle 2.4 as mentioned in the ToRs)

All questions answered with a 'no' must be itemised in the Management Letter, risk assessed by the Auditor, and followed up by the Partner.

#### **Risk priority rating of Management Letter points**

- Matters of **major importance** regarding the control environment, accounting policies or practices, which might entail a material loss or material reporting error shall be rated by the Auditor as **high priority**.
- Matters of **medium importance** regarding the control environment, accounting policies or practices, which are unlikely to entail a material financial loss or reporting error, shall be rated by the Auditor as **medium priority**.
- Matters of **low importance** regarding the control environment, accounting policies or practices, or comments relating solely to local reporting matters shall be rated by the Auditor as **low priority**.

**Findings and recommendations**

<b>No.</b>	<b>Findings</b>	<b>Recommendations</b>	<b>Priority</b>	<b>Management comments and proposed actions</b>	<b>Deadlines</b>
<b>Existence, adequacy and effectiveness of the Internal Control System (principle 2.2)</b>					
<b>Conformity with the project objectives and adherence to the terms of the contract (principle 2.3)</b>					
<b>Economical conduct of business and effective use of financial resources (principle 2.4)</b>					

## ***Annex 3***

### **Audit report template**

**Financial information audit of *multiple projects or of a single project*<sup>1</sup> for the period from xy to xy 20XX**

**[Name of country office and project(s), project and contract number(s), period of financial statement(s)]**

**Name and address of the FDFA's Partner**

***Background of the mandated organisation***

Briefly describe the Partner's general background:

***Country project objectives or single project objective***

Briefly describe the objectives of the project/projects:

**Name and address of auditor**

**Independent auditor's report**

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<sup>1</sup> All text in italics to be adjusted according to the type of audit (single project or country programme audit)

## *Independent auditor's report on financial information*

### *Implementing partner's address and name of responsible person*

#### **Opinion**

Based on the FDFA's Terms of Reference, we have audited the financial information for the above-mentioned project(s), which comprises the following financial information:

- *the consolidated balance sheet as at (end date of period) and the statement(s) of income and expenditure for the year, starting on [start of period] and ending on [end of period]*
- a breakdown of budget vs expenditure by project, and
- the notes to the financial information including a summary of significant accounting policies.

In our opinion, the accompanying financial information on the project(s) for the year [period] ended xxx have been prepared, in all material respects, in accordance with the accounting policies described in the notes and comply with the requirements of the FDFA's Terms of Reference dated 18.03.2022.

#### **Basis for opinion**

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the financial information' section of our report.

We are independent of the entity in accordance with the requirements of the IESBA Code of Ethics for Professional Accountants and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Management's responsibility for the financial information**

Management is responsible for the preparation and fair presentation of the financial information. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial information that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's responsibilities for the audit of the financial information**

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information.

As part of an audit in accordance with the ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Auditor's signature  
Date of audit report  
Auditor's address

Annex: Financial Information (including notes and expenditures per project), Questionnaire, Management Letter