

# Annex 1: Terms of Reference / Description of Scope

Contract Title:	Audit of EJA Kosovo Grantees (phase 2)
Duration:	01/01/2025 – 31/03/2029

## BACKGROUND

Kosovar Civil Society Foundation (KCSF) is an independent, non-profit organization consistently pursuing the creation of a more participatory and democratic society in Kosovo through enabling civil society to become an active actor in country's public life. Over more than 25 years, KCSF has contributed to promoting evidence-based policymaking, expanding civic space, and supporting over 750 civic initiatives with a substantial investment of over 30 million euros, as well as empowering and enriching the skills and capacities of thousands of civil society activists in Kosovo and the Western Balkans through more than 1,100 training sessions.

## EJA KOSOVO

Engagement for Joint Action (EJA Kosovo) is a KCSF program that supports civil society initiatives through grants and capacity building with the overall aim to contribute meaningfully to the democratic and socio-economic development of Kosovo. Designed as a pooled funding mechanism, EJA Kosovo is currently cofinanced by the Swiss Agency for Development and Cooperation (SDC) and Sweden, in a total amount of 4,278,496.19 EUR where 2,527,662.75 are dedicated as grants for supporting civil society organizations in Kosovo.

Only grants above 5,000 EUR will be audited.

Main grants instruments of EJA Kosovo program are:

1. Institutional Grants (IG): General 2-3 years support for the strategy of the well-established organizations, with maximum amount of 40,000 Euro per year, based on the organizational budget, with annual revisions of the budget and other implementation elements.
2. Organizational Development Grants (ODG): Specific support for maximum duration of 2 years, dedicated to organizational development only, with budget dedicated to costs related to capacity building of the organization (staff, development of internal tools and systems of organizations, internal documents, etc.), with maximum amount of 15,000 Euro per grant.
3. Small Project Grants (SPG): Specific project support for the initiatives of individuals, unregistered initiatives and smaller NGOs for short-term interventions, up to 12 months, for the maximum amount of 10,000 Euro per grant;
4. Dedicated Grants (PG): Specific project support for time-bound civil society initiatives, [to be designed and implemented only in very specific cases where existing instruments fail to reach a particular target group.](#)

5. Medium Project Grants (MPG): Specific project support for the initiatives of well-established NGOs, up to 24 months, with an budget amount of around 40,000 Euro per grant (Medium Project Grants will be ready for utilization as an instrument subject to additional donors joining and/or assessments on the need for deploying the instrument.)

Other EJA Kosovo support instruments that are below the threshold of 5,000 EUR, thus will not be audited, include Democracy Award, Urgent Grants, Networking Support, and Representation Support.

## SCOPE OF WORK

The aim of this procurement is to award a framework contract to a specialized audit company, with a high level of knowledge and understanding of the nonprofit sector, to conduct the audit of EJA Kosovo grantees in accordance with respective International Auditing Standards (ISA). Specifically, two types of auditing will be required:

a) Audit of institutional grantees Annual Financial Statements, on annual basis for the years 2025, 2026, 2027 and 2028 (through ISA 700), and

b) Financial Review of project grants (small, medium, and dedicated grants) and Organizational Development Grants (through ISA 800/805).

Tentative number of grants to be audited:

Type of grant	Grants size*	Tentative number of grants	Total volume (estimated)	ISA Standard
Institutional Grants	Up to 40,000 EUR per year**	13	1,560,000.00	ISA 700
Organizational Development Grants (Up to 2 years)	Up to 15,000 EUR	15	225,000 EUR	ISA 800/805
Medium Project Grants (Up to 2 years) ***	Not Applicable at this stage			
Small Project Grants (up to 12 months)	Up to 10,000 EUR	44	440,000 EUR	ISA 800/805
Dedicated grants	Up to 30,000 EUR	3	90,000 EUR	ISA 800/805

\*Grants of the size less than 5,000 are not subject to audit.

\*\*Note that the audit of institutional grantees includes their total organizational budget and not only the part financed by KCSF.

\*\*\* The launch of these grants is subject to new donors contributing to the EJA Kosovo program.

## **DUTIES AND RESPONSIBILITIES**

See the detailed ToR for ISA 700 and ISA 800/805 at the end of this document, which will be annexed to the contract.

## **QUALIFICATION REQUIREMENTS**

The audit company should be experienced in applying ISA audit standards. The audit company must employ adequate staff with appropriate professional qualifications and suitable experience with ISA standards, including experience in auditing the accounts of entities comparable in size and complexity to the entity being audited.

### **Declaration on honour on exclusion criteria and absence of conflict of interest**

All tenderers shall provide a Declaration on honour on exclusion criteria and absence of conflict of interest (see Annex 2), duly signed and dated by an authorized representative of company, stating that they are not in one of the situations of exclusion listed in the Annex 2.

### **Technical and professional capacity criteria and evidence**

Tenderers must comply with the following criteria:

- A full description of the tenderer's references in the domain of providing auditing services for the non-profit sector. This should include examples of services covering at least three years' work directly related to these services, indicating how the tenderer has carried out similar types of services in the past.
- Evidence of affiliation to a body such as the IFAC (International Federation of Accountants), the certification by the Ministry of Finance as a statutory auditor and statutory audit firm.
- The tenderer must ensure that its own standards, in relation to all security matters including, but not limited to, physical security, data security, and virus protection, are in accordance at all times with the highest possible standards, best practice, and any relevant legislation or code of practice with which they are bound to comply.
- The tenderer must prove capacity to draft reports in English, and the ability to translate the report in Albanian or Serbian in case requested by the grantee and/or KCSF.

### **Criteria relating to the team delivering the service**

Curriculum vitae (CVs) of auditors who would be responsible for signing the opinion, together with the CVs of managers, supervisors and key personnel proposed as part of the audit team should be provided. CVs should include details on audits carried out by the applicable staff, including on-going assignments indicating capability and capacity to undertake the audit.

The team delivering the services should include, as a minimum, the following two profiles:

#### **Staff. N°1: Senior Auditor**

- at least ten years' professional experience carrying out audit and control activities;
- should have excellent knowledge of Kosovo Laws;

- should have an excellent knowledge of written and spoken English and Albanian languages, preferably also Serbian language,
- status of Certified Auditor and Accountant;

#### **Staff. N°2: Specialist or Auditor**

- at least five years' professional experience carrying out audit and control activities;
- should have excellent knowledge of Kosovo Laws;
- should have an excellent knowledge of written and spoken English and Albanian languages, preferably also Serbian language,
- Status of Certified Auditor and Accountant.

### **Technical Offer**

The technical offer must cover all aspects and tasks required in the technical specification and provide all the information needed to apply the quality award criteria. Offers deviating from the requirements or not covering all requirements will be rejected on the basis of non-compliance with the tender specifications and will not be evaluated.

### **Financial Offer**

The price for financial offer must be quoted in EUR. Prices must be quoted free of all duties, taxes and other charges, including VAT, as the KCSF and its grantees are exempt from such charges. Services will be provided on fixed unit prices, for each audit report. The unit price should cover the experts' fees including travel expenses, subsistence expenses of the contractor and his/her staff (covering the expenditure incurred by experts on trips outside their normal place of work), accommodation, translation of audit report in the primary language of the organization (if applicable) and administrative expenses.

The price shall be offered based on:

- 1) Scales of organizational budgets, for Institutional Grantees;
- 2) Scales of KCSF grants, for Project Grants and Organisational Development Grants;

### **TIMEFRAME**

The service delivery should be completed continuously on annual basis (for Institutional Grants) or upon EJA Kosovo grants closure (for all other grants), subject to grantees submission of financial reporting documentation but not later than 45 days after each grants closure. The services delivery may start from January 2025 until March 2029.

### **TERMS AND CONDITIONS**

#### **Definitions**

“Contract” means the Contract Agreement entered into between KCSF and the Successful Bidder.

“Contract Price” means the price or prices offered at which will form the Contract Agreement.

“Intellectual Property Rights (IPR)” means any and all copyright, moral rights, trademark, patent and other intellectual and proprietary rights, title and interests worldwide whether vested contingent, or future, including without limitation all economic rights and all exclusive rights to reproduce, fix, adapt, modify, translate, create derivative works from extract or re-utilize data from, introduce into circulation, publish, enter into computer memory, otherwise use any portion or copy in whole or in part, in any form, directly or indirectly, or authorize or assign others to do so.

“Awarded Tenderer” means tenderer selected through this ITT process.

#### **Notification of Award or Work Order**

After selection of the Successful Tenderer and after obtaining internal approvals and prior to expiration of the period of Tender validity, KCSF will send Notification of Award or Purchase Order to the selected Tenderer.

Upon the successful Tender accepting the Work Order and signing the agreement and KCSF will promptly notify each unsuccessful Bidder.

#### **Price**

Price shall remain fixed as per the Financial Bid accepted by KCSF. There shall be no increase in price for any reason whatsoever. Therefore, no request for any escalation of the cost / price shall be entertained.

#### **Work Order cancellation**

KCSF reserves the right to cancel the work order in the event of one or more of the following situations, that are not occasioned due to reasons solely and directly attributable to KCSF alone;

Serious discrepancy observed during performance as per the scope of project;

If the Tender makes any statement or encloses any form which turns out to be false, incorrect and/or misleading or information submitted by the Bidder turns out to be incorrect and/or conceals or suppresses material information.

#### **Other terms**

All information provided to the audit firm by the KCSF shall be treated in strict confidentiality.

Termination and other terms and conditions are specified on the agreement.

## **A. Terms of Reference for the audit of Institutional Grantees (ISA 700)**

External auditor will be responsible for forming an independent opinion on the annual financial statements which are laid before grantees management bodies. Their report will state whether, in their opinion, the financial statements give a true and fair view of the financial position of grantees on annual basis as per individual agreements between KCSF and grantees.

The audit shall be in accordance with International Standards on Auditing (ISA) and cover the overall management of the grantee's implementation, monitoring and supervision. The audit tasks should include the review contracts, progress reports, resources, budgets, expenses, recruitment, operation and assets of grantees.

The audit will be responsible to verify all funds have been used in accordance with the contract between KCSF and grantees and only for the purposes for which the funds were provided.

To this effect, the scope of the audit shall cover the following areas as they are performed at the level of the grantee:

### **Finance**

The external audit shall cover the adequacy of the accounting and financial operations and reporting systems. These include budget control, cash management, certification and approving authority, receipt of funds, and disbursement of funds, recording of all financial transactions in expense reports, records maintenance and control. The External auditor will be responsible for expenditure verifications and to confirm that all payments were made on the basis of eligible expenditure, to verify the reliability of the financial statements, to assess the accounting system procedures and that the accounting records are properly kept.

### **Human resources**

The external audit shall cover calculation of salaries and entitlements, payroll preparation and payment, and management of personnel records.

### **Procurement**

The external audit shall cover the competitiveness, transparency and effectiveness of the procurement activities of the grantees in order to ensure that the goods and services purchased meet the requirement based on the procurement policy.

### **Asset Management**

The external audit shall cover equipment (typically vehicles and office equipment) purchased for use of the grantee. The procedures for receipt, storage, and disposal shall also be reviewed.

### **Cash Management**

The external audit shall cover all cash funds held by the KCSF and review procedures for safeguarding of cash.

## General

The audit authority's tasks include checking whether the management and control systems are working efficiently through system audits and controls focusing specifically on declared expenditure

The external audit shall cover travel activities, vehicle management, office premises and lease management, office communications and IT systems, and records maintenance.

## Place of performance

Audits and controls may at the Contracting Authority's request, be carried out at the grantee premises, in the field or on the Contracting Authority's premises in Prishtina. KCSF will grant the audit firm access to its premises and to all grantee data, information and documents needed to gain the necessary audit evidence.

## TIMEFRAME

The following is the anticipated timeframe for the services to be provided:

Task	Period to be audited	Execution (anticipated)
Audit for first 8 Institutional grantees (3-year grants)	Jan – Dec 2025	January 2026
	Jan – Dec 2026	January 2027
	Jan – Dec 2027	January 2028
Audit for other 5 Institutional grantees (3-year grants)	Jan – Dec 2026	January 2027
	Jan – Dec 2027	January 2028
	Jan – Dec 2028	January 2029

## MAIN OUTPUTS/DELIVERABLES

The main deliverables will be auditing report and a management letter that covers the internal control weaknesses identified and the audit recommendations to address them.

- Methodology, timeline, Personnel Assignment Chart for the audit team and Outline Implementation Plan for the conducting of audit.
- Financial audits report's for the years 2025, 2026, 2027,2028 which comprises of providing the audit firm's opinion on the reliability of the grantee provisional and final annual accounts;
- Audit Opinion in accordance with International Standard on Auditing (ISA) 700;
- An assurance that the audit was performed in accordance with international standards (ISA) 700 by the auditor;
- A management letter, which shall contain the audit findings and recommendations to address any weaknesses identified and it can be structured as follows:
  - o Give comments and observations on the accounting records, procedures, systems and controls that were examined during the course of the audit.
  - o Identify specific deficiencies and areas of weakness in systems and controls and make recommendations for improvement.

- Report on the implementation status of recommendations pertaining to previous period audit reports.
- Communicate matters that have come to their attention during the audit which might have a significant impact on the sustainability of the organization.
- Bring to the Grantees Executive Director's attention any other matters that the auditors consider pertinent.



## **B. Terms of Reference for the audit of project grants (small, medium, dedicated grants and organizational development grants) - ISA 800/805**

### **1. Fundamental principles**

1.1 The audit of the project grants and organizational development grants (“audit”) is to be carried out by an independent auditor (“the auditor”), having the required professional competence and experience (e.g. Certification by National Audit Oversight Authority), and in accordance with International Standards on Auditing (ISA) or International Standards on Review Engagements (ISRE).

1.2 These Terms of Reference (“TOR”) define the mandate of the auditor in connection with the audit of grantees (“the grantee”), financed by the Kosovar Civil Society Foundation. The audit is based on the professional requirements and guidelines governing the professional work to be undertaken by an auditor.

1.3 In planning, conducting and reporting on the audit, the auditor must follow the ISA 800/805 standard.

In addition, the relevant standards of the local accounting profession as well as the local legislation on accounting and reporting in force in Kosovo in which the financial review is carried out need to be taken into consideration by the auditor.

### **2. Documents of reference**

The following documents and matters are to be considered by the auditor as basic references for performing the audit: National legislation, Terms of Reference (TOR), Grant agreement and all annexes signed between grantee and KCSF, Guidelines for reporting and implementation and any other documents concerning the project/program.

### **3. Planning the audit**

The auditor shall adequately plan the audit engagement well in advance of the work and ensure the execution of the audit of highest professional quality in an economical and efficient manner as agreed upon in the respective mandate in the name of the implementing partner and the auditor.

Based on the information received during the planning phase, including the auditor’s review risk assessment and whether ISA or ISRE is applied, the auditor shall determine:

- the type of transactions to be reviewed and the review method (full sample);
- the type of physical verifications and the sites to be selected.
- the number of site visits to be planned.

The auditor ensures continuity in the review approach of the audit engagement and the audit team, even if there is a change in the leader of the audit team from the prior year.

### **4. Place of audit**

The audit is to be carried out at the project environment (administrative offices and/or decentralised sites, if applicable).

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

The auditor shall obtain a management representation letter signed by the management of the reviewed organization, certifying:

- a) The acknowledgement of the organization's responsibility for the keeping of accounts and financial documents that are correct, complete, fair, representing the true facts, in conformity with the objectives of the project, the documents of reference (description of the project, contracts, budgets, etc.) and national legislation.
- b) That all accounting records, supporting and other documents, minutes and any other pertinent information necessary for the review be at the disposal of the auditor.
- c) The completeness of information concerning property and goods.
- d) The completeness of information concerning financing received or due and own financing concerning the reviewed period, for the project being examined.
- e) The availability of any information and explanations, either orally or by written confirmation, which might be required by the auditor in the execution of his mandate.
- f) In the case of contributions to local NGOs, the declaration must certify the completeness of information concerning financing received or due and own financing concerning the reviewed period, for the project being reviewed **and** for the examination of the consolidated financial statements of the organization. The consolidated financial statements, including balance sheets and profit and loss statements of the project are to be attached to the declaration and form an integral part thereof. This declaration shall be provided together with the financial review report.

## **6. Detailed audit procedures**

Appropriate audit procedures are to be applied by the auditor to form a professional judgement on the matters outlined below. These procedures applied on a full scope may include controls, checking, evaluation, inspection, interview, analysis and other review techniques. When selecting the audit procedures, the auditor shall consider the results of his review risk assessment (during planning stage and during the review work).

Accordingly, the auditor must define and carry out suitable audit/review procedures to obtain an overview of the aspects before the auditor assesses the individual findings and reaches a final independent decision on the review.

The auditor is expected to select and apply any other audit/review procedures that the auditor may consider necessary in the professional execution of the financial review engagement.

Upon receipt of the audit report, the KCSF reserve the right to request other audit procedures to cope with the change in circumstances in the project or of the organisation of the grantee.

## **7. Closing meeting**

After the completion of the audit engagement, 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/program (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 and propose recommendations

The content of the closing meeting is to be summarized in writing and signed both by the representative of the implementing partner and the leader of the audit team. These minutes shall form an annex to the financial review report.

## **8. Financial audit report**

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, as well as a Management letter with audit findings and weaknesses identified during the audit process. The auditor shall regardless of materiality, quantify the amount for costs lacking sufficient supporting documentation. The auditor shall make recommendations to address the weaknesses identified and 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, the auditor shall state that fact. The auditor should clearly state the unspent balance that needs to be paid back to the KCSF.

**9. Currency and language of the financial review report**

The financial information contained in the audit report of the auditor is to be expressed in the currency provided for in the contract. The audit of the auditor and all other documents resulting from the audit engagement must be prepared in English. A translated copy of the report in Albanian or Serbian should be provided in case requested by the grantee and/or KCSF.

**10. Signature**

The audit report is to be signed by the leader of the audit team. The financial reporting subject to audit shall be signed by a representative of the management of the implementing partner.

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

For the implementing partner: \_\_\_\_\_

For the auditor: \_\_\_\_\_