

# Annex 1: Terms of Reference / Description of Scope

Contract Title:	EXTERNAL AUDIT FOR EJA KOSOVO PROGRAM PHASE 2 (ISA 805)
Duration:	01/01/2025 – 30/06/2029

## 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.

### **ABOUT PROGRAM: Engagement for Joint Action (EJA Kosovo) Phase 2**

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.

While all EJA Kosovo program costs, including grants, will be part of the auditing services, it is important to note that all grants above 5,000 EUR will be audited specifically from another licensed auditing company, as part of the standard process deployed by KCSF in its grant program.

If additional funds are to be raised, all or most of them will be dedicated to increasing the number of grants awarded to civil society. In such a case, an annex to the contract will be negotiated and agreed, based on the principle of proportionality and economy of scale.

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. 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.)
5. Urgent Grant: The aim of Urgent Grants is to support urgent interventions. This instrument is intended for rare instances in which a quick response from civil society initiatives is needed and there may not be time to react through standard application procedures. The maximum budget is 3,000 EURO per grant;
6. 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.
7. Democracy Award: Honours successful initiatives, the work and activities of organizations or individuals who have contributed to the development of a democratic society in Kosovo. The amount of the Award will be 3,000 EUR
8. Networking Support: Networking Support is intended to support CSOs to join regional and international networks that are linked to the thematic area that the CSOs work in. The maximum budget per grant is 1,000 EUR.
9. Representation Support: Representation Support is designed to support organizations to present their initiatives and work, present and/or advocate for issues that align with the organization's mission or the national interests and sharing their unique experiences and best practices abroad at regional, European or global level. The maximum budget per grant is 1,000 EUR.

## **SCOPE OF WORK**

The aim of this procurement is to award a four (5) year contract to a specialized audit company, with a high level of knowledge and understanding of the nonprofit sector, to conduct the audit of the Financial Information of the program in accordance with International Standards on Auditing (ISA 805), for the fiscal years 2024, 2025, 2026, 2027 and 2028.

The purpose of the audit for the EJA Kosovo Program is to enable the auditors to express an independent professional opinion whether the financial information is prepared, in all material respects, in accordance with the applicable standards and procedures and to ensure that the funds utilized to EJA Kosovo activities have been used for their intended purposes.

The awarded audit company will be responsible for carrying out an examination of the reliability of the Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement, comprising a summary of significant accounting policies and other explanatory notes.

The expected result of the audit is to give assurance on the effective functioning of Principles of orderliness, Existence, adequacy and effectiveness of the Internal Control System, Conformity with the project objectives and adherence to the contract conditions and Economical conduct of business and effective use of financial resources.

## **1. Fundamental principles**

1.1 The financial audit of projects (“financial 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).

1.2 These Terms of Reference (“TOR”) define the mandate of the auditor in connection with the financial audit of projects/programs of the partner, financed by the Federal Department of Foreign Affairs (FDFA). The financial 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 financial audit, the auditor has to follow the ISA 805.

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

## **2. Overall principles of the procedures to be performed**

The auditor is required to plan, execute and report on the financial audit engagement in order to conclude on the following matter:

- **2.1 Principles of orderliness (financial regularity/reporting)**

Furthermore, the auditor is required to assess whether the partner has adequate policies and procedures in place relating to the following matters (those matters are not covered by the audit engagement in accordance with ISA as mentioned above):

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

In order to respect these principles, the auditor has to analyse the questions mentioned in the annexed Questionnaire (Annex 1.1). While item 2.1 will be reflected in the audit report prepared in accordance with ISA, items 2.2 to 2.4 will be reflected by the answers of the auditor to the Questionnaire in the Annex 1.1. Recommendations to the management shall be formulated according to Annex 1.2 (Management Letter).

## **3. Documents of reference**

The following documents and matters are to be considered by the auditor as basic references for performing the financial audit:

Legislation:	National law
Project/program:	Agreement between FDFA and the partner relative to the project; Project Document / TOR; Budgets, financing plans, programs of project activities; Project management procedures; Any other documents concerning the project/program.
Accounting:	Accounting documents subject to the financial audit;



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

Appropriate audit procedures are to be applied by the auditor in order to form a conclusion on the matters outlined below. These procedures applied, either on a full coverage or a sample selection basis may include: controls, checking, evaluation, inspection, interview, analysis and other audit techniques. When selecting the audit procedures, the auditor shall give consideration to the results of his risk assessment (during planning stage and during the course of the 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 execution of the financial audit engagement.

Upon receipt of the financial audit report, the FDFA or any third persons designated by the FDFA reserve the right to request other audit procedures to cope with the change in circumstances in the project or of the organisation of the partner.

In addition, in order to respect the principles mentioned under Art. 2 above, the auditor has to analyse the questions in the annexed Questionnaire (Template Annex 1.1). Any answers with “no” have to be taken up as recommendations in the Management Letter (Template Annex 1.2).

## **8. Closing meeting**

After the completion of the financial 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 (including the deficiencies of individual staff members) and propose recommendations to improve the project management, the accounting procedures and the internal control system (ICS).

## **9. Financial audit deliverables**

The audit report of the auditor shall provide an opinion on the financial information of the partner as per ISA (Template Annex 1.3).

The answers to the Questionnaire (Template Annex 1.1) and recommendations to the management (Management Letter according to Template Annex 1.2) as well as the management representation letter shall be provided as separate deliverables together with the audit report.

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

The financial information contained in the financial audit report of the auditor is to be expressed in the currency provided for in the contract. The financial audit report of the auditor and all other documents resulting from the financial audit engagement must be prepared in English.

### 9.2. Signature

The financial 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 partner.

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

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

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

## **10. 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.

### **11. 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.

### **12. 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 sector of nonprofits. This should include examples of services covering at least five 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.

#### **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.

### **13. 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.

### **14. Financial Offer**

The price for financial offer must be quoted in euro. Prices must be quoted free of all duties, taxes and other charges, including VAT, as the KCSF is 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 staff (covering the expenditure incurred by experts on trips outside their normal place of work), accommodation and administrative expenses. Translation prices of final reports for on the spot audits should also be included in the unit price.

## **TIMEFRAME**

The service delivery should be completed continuously on annual basis. The services delivery 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.



## Annex 1.1: Questionnaire

Instruction to the auditor: If the answer is „no" to one of these questions, further explanation is required in the form of a management letter point.

Questions	Yes	No	n/a	Comments
<b>Existence, adequacy and effectiveness of the Internal Control System (/CS) - Principle 2.2</b>				
1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Is the internal organization (structures, functions, tasks, competencies, responsibilities, methods, procedures, segregation of duties etc.), based on your impression, adequate to the size and operations of the partner?
2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Are duties for vital functions and processes sufficiently segregated (e.g. entering commitments, entering and signing of contracts/agreements, authorizing and accounting of expenditures, reconciliation of cash on hand and in banks, follow- up on long outstanding debtors and creditors, etc.)?
3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Do you obtain comfort that the ICS of the organization is in adequacy with its size and type of activities?
4	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Is the ICS known, applied and documented?
5	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Do you obtain comfort on compliance with applicable laws, regulations and instructions (e.g. taxes, salaries, social contributions etc.)?
6	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Is an Organization Manual with local context specific regulations (threshold in amount and number of offers to be solicited for local procurements of goods and services, cash limit, etc.) in place and are they followed? Are they in line with local legislation?
7	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Did you obtain an understanding of the design of the information and financial reporting system?
8	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Has the Partner advised staff, beneficiaries etc. to whom to report any suspect of fraud, misuse, or waste of resources or property?
9	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Is it ensured that signed project agreements (FDFA with partner and/or partner with subcontractor/s) exist before any payments are made?
10	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Are the payments within your audit/ review scope in accordance with the contract conditions and the agreed budget?

11	Is the classification of expenses and income in accordance with the agreed contractual budget?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
12	Are approvals for variations from the budget/work plan required in advance of commitment of expenditure?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
13	Is the financial reporting in accordance with the project agreement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
14	Is the financial reporting of the period under audit/ review in line with the reporting timetable?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
15	Do project responsible (operational and finance staff) visit field activities and are the findings of these visits documented?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
16	Is a written confirmation of the balance of the FDFA advances available at project year end?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
17	Are the management letter points by the project auditor brought up in past years resolved adequately and/or properly monitored by the management?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
18	Is it ensured that any significant issues (e.g. fraud, management override of controls, etc.) noted in a review/ audit report has been communicated to FDFA?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
19	Are the partner and any subcontractor/s familiar with regard to VAT and any other 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"/>	
20	Are there instructions on the approval of expenses (e.g. 4 eyes principle) and are they followed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
21	Is the correct application of fees and allowances as per contract ensured (e.g. fees, rent, travel expenses, hotel accommodation, per diem and other allowances for project experts/consultants)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
22	Are control procedures in place to match labor costs (hours) charged to the project with time sheets of the relevant personnel?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
23	Is it ensured that the partner has correctly accounted for his hours on the project (effectively rendered services) in order to avoid double- charging of expenses {e.g. to different projects)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

24	Are all items (fixed assets) representing property of the project maintained and safeguarded?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Economical conduct of business and effective use of financial resources - Principle 2.4</b>					
25	Is it ensured that project specific financial resources are only utilized for the particular activities and projects?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
26	Do adequate measures and procedures in the ICS exist, to ensure economical and effective utilization of committed resources?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
27	Is it ensured that prices and rates for material, services and overheads are subject to regular verification?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
28	Is the calculation of fees (charged for services to FDFA) transparent and documented?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
29	Are all expenditures of expatriate employees reviewed and substantiated (rent, travel expenses, etc.)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
30	Are all expenditures related to local staff reviewed and substantiated (gross salary, social and pension contributions, income taxes, travel expenses, rent, etc.)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
31	Are there instructions on the non-use of project/program vehicles for private purposes?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
32	Are there instructions for the use of equipment after the end of the project?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
33	Are there instructions on the non-use of mobile and fix net phones for private purposes?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Any other issues</b>					
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

## **Annex 1.2: Management Letter (suggested format)**

**project/programme - financial statement period of:**

**partner's name and address**

**auditor's name and address**

**Date and Signature**

## **Annex 1.3: Audit Report Template**

*Financial Information Audit of the Project/Program for the period of xy 20XX*

(name of project/program, project- and contract-number, period of financial statement)

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

**Background of the mandated organization**

Short description of the general background of the partner organization:

**Project objectives**

Short description of the project/program objectives:

**Name and address of Auditor**

**Independent auditor's report**

*Independent auditor's report on financial information*

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

**Opinion**

On the FDFA Standard Terms of Reference, we have audited the financial information for the above mentioned project, which comprise the balance sheet as at 31 December xxx and the income statement for the year [period] ended,[...], and the notes to the financial information including a summary of significant accounting policies.

In our opinion, the accompanying financial information on project xxxx for the year [period] ended xxx are prepared, in all material respects, in accordance with the accounting policies described in the notes and comply with the requirements of the FDFA Standard Terms of reference dated xxxx.

**Basis for opinion**

We conducted our audit in accordance with 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 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 these financial information.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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), Questionnaire, Management Letter