

Annex 1: Terms of Reference / Description of Scope

Contract Title:	EXTERNAL AUDIT FOR SELECTED SMALL NGO'S FINANCIAL STATEMENTS (ISA 700)
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.

To enhance the public image of civil society through increased transparency, KCSF will design an open process to select various small NGOs (with the budget from 10,000 EUR to 50,000 EUR) to support their annual financial audits, for one or multiple years. To achieve this, KCSF will select a certified auditor who will be engaged as needed to audit the selected NGOs. It is expected that around 5 NGOs will be supported each year.

SCOPE OF WORK

The aim of this procurement is to award a four (4) year contract to a specialized audit company, with a high level of knowledge and understanding of the nonprofit sector, to conduct the audit of non-governmental organizations(NGO's) accounts and annual Financial Statements, for the fiscal years 2024, 2025, 2026 and 2027 in accordance with International auditing standards (ISA).

The purpose of the audit for the NGO's financial statements is to enable the auditors to express an independent professional opinion whether the financial statements are prepared, in all material respects, in accordance with the applicable financial policy and procedures and to ensure that the funds utilized to NGO's 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 Financial Statements, including, Statement of financial position, balance sheet of the assets and liabilities, Statement of changes in net assets/equity, Cash flow statement, and Notes, 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 the management and control systems, to give an evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates, made by the management.

NGO's eligible for the audit will have an annual turnover of between 10,000 EUR and 50,000 EUR.

DUTIES AND RESPONSIBILITIES

The external auditor will be responsible for forming an independent opinion on the annual financial statements which are laid before NGO's Governing Board. Their report will state whether, in their opinion, the financial statements give a true and fair view of the financial position of NGO's and its subsidiaries on 28 February of each year.

The audit shall be in accordance with International Standards on Auditing (ISA) 700 and cover the overall management of the NGO's implementation, monitoring and supervision. The audit tasks should include the review of grant contracts, progress reports, NGO's resources, budgets, expenses, recruitment, operation and assets of NGO's.

The audit will be responsible for verifying all funds have been used in accordance with the established rules and regulations of NGO's 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 NGO's:

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 based on 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 NGO's 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 NGO's. The procedures for receipt, storage, and disposal shall also be reviewed.

Cash Management

The external audit shall cover all cash funds held by the NGO's and review procedures for safeguarding 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 contractor's premises, in the field or on the Contracting Authority's premises in Prishtina. NGO's will grant the audit firm access to its premises and to all 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:	Timeframe
Prepare details of methodology and plan for conducting of the audit and additional assignment	December 20-31, each year
Meet with the NGO's Management to discuss the audit plan and additional assignment	December 20-31, each year
Receive, financial statements, and other supporting documents, subject of audit and additional assignment	January 10-15, each year
Implementation of the audit and additional assignment	January 15, each year
Interim draft for management review	February, 25, each year
Presentation of draft audit report and additional assignment, comments to the Audit Committee	February 25-28, each year
Prepare management letter, which shall contain the audit findings.	February 25-28, each year
Receive management response to the issues raised.	February 25-28, each year
Issue final audit report and additional assignment	February 28, each year
Review of implementation of previous years audit and additional assignment findings.	March - June, each year

MAIN OUTPUTS/DELIVERABLES

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

- Methodology, timeline, Personnel Assignment Chart for the audit team and Outline Implementation Plan for the conducting of audit and additional assignment. The methodology and audit plan is subject of pre-approval by the NGO's management.
- Financial audits report for the fiscal years 2024, 2025, 2026, 2027, 2028 which comprises providing the audit firm's opinion on the reliability of the NGO's 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.
 - o Report on the implementation status of recommendations pertaining to previous period audit reports.
 - o Communicate matters that have come to their attention during the audit which might have a significant impact on the sustainability of the organization.
 - o Bring to the Executive Director's attention any other matters that the auditors consider pertinent.
- Review of implementation of previous year's audit and additional assignment findings.

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 honor 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 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.
- The tenderer must prove capacity to draft reports in English language and Albanian language.

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,
- 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,
- 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 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.

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 or the selected NGOs shall be treated in strict confidentiality. Termination and other terms and conditions are specified on the agreement.