**Request for Proposals**

**Financial Audit Services**

Click or tap here to enter text.

**Terms of Reference**

**for Financial Audit**

Project Number: Click or tap here to enter text.

Project Name: Click or tap here to enter text.

Implemented by: Click or tap here to enter text.

Audited Period: Click or tap here to enter text.

*These Terms of Reference (“ToR”) define the mandate of the auditor(s) in the process of financial audits of projects or programs implemented by partner organizations (“the partner”) and funded by the Liechtenstein Development Service (LED).*

**1. Auditor and Audit Standards**

The financial audit shall be conducted by an independent, accredited and professional auditor (“the auditor”), in line with the International Standard on Auditing (ISA) and the standards of the International Federation of Accountants (IFAC).

The financial audit of the project shall be done in accordance with International Standards on Auditing (ISA 805) “Special Considerations Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement”.

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 of the local legislation on accounting and reporting in force 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 matters:

1. **Principles of orderliness and accuracy (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).

1. **Existence, adequacy and effectiveness of the Internal Control System (ICS)**
2. **Conformity of the financial report with the approved budget and adherence to the conditions of Agreement of Cooperation**

In order to report on the adherence to these principles, the auditor has to analyse the questions mentioned in the enclosed Questionnaire (Annex 2).

While item 2.a and 2.c will be reflected in the audit report prepared in accordance with ISA, items 2.b and 2.c will be reflected by the answers of the auditor provided in the Questionnaire (Annex 1).

Recommendations to the management shall be formulated according to Annex 3.

**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:
    - Agreement of Cooperation between LED and the partner regarding the project
    - Project Document / Project Application (including Budget)
    - Yearly financial or phase financial report
    - Project management procedures
    - Any other documents concerning the project/program
      * Accounting:
    - Accounting documents subject to the financial audit
    - Financial and operational reports concerning the project/program
      * Auditor:
    - Prior internal and external audit reports of the partner
    - Any other information requested from the partner by the auditor

**4. Planning the financial audit**The auditor shall adequately plan the financial audit engagement in advance of the work and ensure the execution of the financial audit of highest professional quality in an economical and efficient manner as agreed upon in the respective mandate in the name of the partner and the auditor.  
On the basis of the information received during the planning phase and based on 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 ensures continuity in the audit approach of the financial audit engagement and the audit team, even if there is a change in the leader of the engagement team from the prior year.

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

**6. Management representation of full disclosure**

The auditor shall obtain a management representation letter signed by the management of the partner, 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, budget, yearly reports, etc.) and national legislation;

b) That all accounting records, supporting and other documents, minutes and any other pertinent information necessary for the audit 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 audited period, for the project being examined;

e) The availability of any written information and explanations, which might be required by the auditor in the execution of their mandate;

f) The consolidated financial information, 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 audit report.

**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 above. 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 consider the results of their risk assessment (during planning stage and during 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 to apply any other audit procedures that the auditor may consider necessary in the professional execution of the financial audit engagement.

In addition, to respect the principles mentioned under Art. 2 above, the auditor must analyse the questions in the enclosed Questionnaire (Annex 2). Any answers with “no” have to be taken up as recommendations (Annex 3).

**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 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. Any variations between the financial report submitted to the donor and auditor’s findings will be explained in the audit report. The report will also include information on the overall funding received by the partner and the staff remuneration across the implemented projects (Template Annex 1). The answers to the Questionnaire (Template Annex 2) and recommendations to the management (Management Letter according to Template Annex 3) 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 used in the project/program budget. The financial audit report of the auditor and all other documents resulting from the financial audit engagement must be prepared in English and in Romanian (whereas the English version prevails in case of differences).

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: | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |