**Terms of Reference for the audit of financial statements and Management letter**

**As of November 30 th 2016**

PI150203 “**Soutien psychologique et psycho-social, et à l'intégration des enfants réfugiés et de leur famille au Liban**”

The following are the terms of reference (“TOR”) to perform expenditure verification and to report to “Secours Catholique-Caritas France” (SCCF) for actions concerning the referenced project above (the “grant contract”).

**1) Responsibilities of parties to the Engagement**

**INSAN Association** is the organization that received the grant and who signed the grant contract with SCCF.

• **INSAN Association**  is responsible for providing a financial report on the activities funded through the grant contract and for ensuring that a proper reconciliation can be established between them and its,accounting and bookkeeping.  
• **INSAN Association**  acknowledges that the auditor's ability to perform the procedures required by this engagement, effectively depends upon the full and unconditional access that it provides to its staff and its accounting records and other relevant documents**.**

“**The Auditor**” is the expert designated to perform the agreed procedures as defined in these terms of reference and to submit his opinion to SCCF and **INSAN Association**

"The auditor" means the auditing firm hired for this mandate and, more specifically, the partner of the firm or the person who assumes responsibility for the mission and the report issued on behalf of that firm and has the authority conferred by a professional body, legal or regulatory.

In agreeing these TOR, "the auditor" confirms that it meets at least one of the following conditions:

* The auditor and or firm is a member of a national organization of accountants or is itself a member of the International Federation of Accountants (IFAC).
* The auditor and or Firm is a member of a national organization of accountants. Although the organization is not a member of the IFAC, the auditor agrees to perform this mission in accordance with IFAC standards of ethics.
* The Auditor and / or firm is registered as a statutory auditor in the public register of a public oversight body in a third country and this register applies the principles of public oversight set out in the legislation of the country concerned.

**2) Introduction and Objectives.**

This audit mission relates to project PI150203 100 % financed by SCCF.

The purpose of the project is to support children refugees and their family living in Lebanon

The term of this project is 11 months, from January 2016 to end of November 2016, with a budget of 159.624 € (audit expenses included).

The objectives are:

1. To enable the auditor to express a **professionnal opinion on the financial report** at November 30 th 2016, and on the quality of accounting and administrative processes in place, processes that must ensure transparency and traceability of funds made available under the project.
2. To provide assurance that the expenditure conforms to the contract signed by the Partners. In case of non compliances the auditor should identify ineligible expenses and list and quantify them in a specific document.
3. To make sure also that the accounting system in effect allows the recording of comprehensive income and expenditures and that resulting accounting journals are consistent with the local legal accounting chart.
4. To ensure the quality of the reporting and its compliance with SCCF requirements.

All procedures (accounting and finance, purchasing and logistics, human resources, etc...) and all accounting records must be collected prior to the coming of the auditor and held at its disposal.

All auditor’s comments and recommendations will be recorded in a document, "Management Letter", including those having a significant impact on the project to proceed..

**3) Scope of the audit.**

The audit will be conducted according to generally accepted international audit standards and will include all tests and checks that the auditor consider necessary to give an opinion.

However, particular attention should be paid to the following:

1. All funds received were used in accordance with the grant contract.
2. All goods and services purchased under the project have been acquired in accordance with generally applied procurement and tenders procedures.
3. All financial elements shown in the reporting communicated to SCCF should be reconciled to the project accounting books.

The auditor will ensure that the project accounts have been prepared in accordance with generally accepted accounting standards and present fairly the assets, the financial situation of the project, and more generally of resources and expenditures for the accounting period ending as of November 30 th 2016.

In addition to the audit report, the auditor will:

* Prepare a "management letter", in which will submit his comments and observations on the accounting records, systems and processes in place.
* Identify specific deficiencies and areas of weakness in systems and controls and make recommendations to address them.
* Qualify the level of compliance of each of the financial commitments to the requirements of the financing agreement and will submit its comments, if any, on the mastery of internal processes affecting such compliance.
* Share issues that caught his attention during the mission which could have a significant impact on the project.
* Bring to the attention of SCCF all other matters that he will consider to be relevant.

**4) Particular points for attention**

The auditor is responsible for choosing any audit procedures he will judge as necessary to give his opinion. However, we suggest that particular attention be given on the following items:

**Accounting Procedures**:

**General:**

* Verify that accounting documents as of November 30 th 2016 are consistent: General Ledger, Trial Balance, analytical Balance and financial report.
* Reconcile project budgetary accounting (initial/revised) to General accounting and explain any variance.
* Verify bank reconciliations and validation by an appropriate hierachical level.

**Balance sheet:**

* Review bank balances as of November 30 th 2016
* Analyze and justify other debtors and other creditors balances together with accrued and prepaid expenses (expenses in advance, deffered revenues, accruals, provisions etc).
* Ensure that all fiscal and social charges have been properly accrued.

**Funds and grants received from donors**.

The auditor will check that all funds received for the project being audited are specifically identifiable in the books and are not mixed to other funds.

The auditor should ensure that the procedures provided in the contracts to formalize the receipt of funds from SCCF and other donors have been applied .

To this end, he will check that funds received have been accounted for, using the exchange rate applied by the bank, at the time of conversion.

The auditor will as well:

* Determine the unused balance of all funds received since the beginning of the project by deducting from the total receipts the assets and expenses reported that have generated a cash out flow.
* Reconcile the amount here above obtained to directly confirmed bank balances.

**Financial report.**

* Reports presentation in conformity to the budget format as presented in the agreement.

The Auditor carries out an analytical review of expenditure items of the financial report.  
He verifies that the budget in the financial report corresponds with the grant contract ( initial/revised) and that incurred expenditures were foreseen in the budget of the grant contract.

He checks the exchange rate calculation of the financial report (weighted average rate of euro conversions), and verifies the gain/loss on exchanges.

* Expenditures eligibility:

The auditor will verify the eligibility of the expenses reported on the basis of a selection covering 65% of direct expenses recorded.and tests at random should be performed on each budget line representing minimum 2 % of total budget.

He will make sure that:

- The expenditure corresponds to a budget line of the project and is added to the relevant budget line.

- The reported value is confirmed by supporting documentation such as tenders process, invoices, wages (pay slips, payroll journal), payments, delivery notes, lists of beneficiaries when applicable (training sessions, meetings).

- The date on the proof is within the period of project implementation.

If the auditor finds an ineligibility rate over 10% of its selection, he will expand its testing to 85% of total direct costs reported.

In its final report, the auditor will indicate the total amount checked, the coverage rate and quantify the amount recognized ineligible (value and % of total direct costs).

**5) Audit length.**

The time of execution of the work described in these TOR should not exceed 5 man/days.

However, it is for the tenderer to decide the working time he feels necessary and to discuss it prior to contract signature.

**6) Presentation of the proposal.**

the technical and financial proposal should be sent to SCCF no later than March 27, 2017 by electronic mail to: Insan association; on [larabian@insanlb.org](mailto:larabian@insanlb.org) and [insan@insanlb.org](mailto:insan@insanlb.org)

**7) Starting date of the mission**

The auditor should start the task  according to its contract.