

ANNEX A – Terms of Reference

**TERMS OF REFERENCE TO CALL FOR PROPOSAL
EXTERNAL AUDIT SERVICES AND TAX ADVISOR
FOR IECD - INSTITUT EUROPEEN DE COOPERATION ET DE DEVELOPPEMENT
AND SDA - SEMEURS D'AVENIR ASSOCIATION**

1. Context

1.1. Introduction :

The Institut Européen de Coopération et de Développement (**IECD**) is a French international solidarity organization, founded in 1988, implementing socio-economic development projects in partnership with local institutions in 15 developing or emerging countries. In the countries where it operates, the IECD focuses its efforts on three major challenges:

- Vocational training to promote the sustainable integration of young people into the labor market.
- Supporting small businesses, the main drivers of local growth and job creation.
- Providing vulnerable individuals with access to education and healthcare.

The IECD aims to create environments that allow everyone to build their future and a more just society, while upholding values such as respect for the individual, teamwork, and professional commitment

The IECD engages with the local population over the long run. Its projects are primarily aimed at those who need it the most. Particular attention is given to the youth and women, who have a strong impact on development.

The IECD works in close collaboration with local organizations, with whom it builds sustainable relationships. Partners participate in the implementation of projects in the field, and IECD contributes to their institutional, financial and organizational reinforcement.

Semeurs D'Avenir Association (**SDA**) is a Lebanese non-governmental organization Semeurs d'Avenir was founded in 2010 with the support of the European Institute for Cooperation and Development (IECD) to put in place a local structure that can carry on and ensure the sustainability of projects launched by IECD Lebanon with its local partners.

Semeurs d'Avenir is IECD Lebanon's main partner, designs and implements 13 projects in the field of vocational training, education and entrepreneurship.

In 2023, SDA's 90 staff developed and implemented projects that directly impacted to 4,300 youth throughout the whole of Lebanon. Overall, close to 100,000 people benefited indirectly from these activities.

1.2. Contractual Overview and organizational resource and structure:

IECD in Lebanon is implementing activities in partnership with SDA.

Over the past three years, IECD and SDA have implemented activities as follows:

- SDA expenses in 2021: 2,973,000 USD
- SDA expenses in 2022: 3,270,000 USD
- SDA expenses in 2023: 4,466,000 USD

- IECD expenses in 2021: 1,984,000 USD
- IECD expenses in 2022: 2,087,000 USD
- IECD expenses in 2023: 889,000 USD

IECD is registered in Lebanon at the Ministry of Interior and Municipality on 26/05/2009 under the decree no. 2158 and at the Ministry of Finance in which its registration no. 2037006.

IECD exclusively engages consultants, volunteers and interns. The organization does not recruit permanent employees. This approach is due to its partnership with SDA in Lebanon, which is responsible for project implementation, while IECD provides technical, financial and organizational support and expertise.

SDA is registered in Lebanon at the Ministry of Interior and Municipality on 02/11/2010, under the decree no.1905 and at the Ministry of Finance in which its registration no. 2580759.

SDA is registered with the NSSF and recruits permanent employees to implement its activities throughout Lebanon. Both IECD and SDA operate in Beirut, Mount Lebanon, Saida, Bekaa and Tripoli. As of 2023, SDA employs **90** staff members, all of whom are registered with the NSSF.

Due to IECD-SDA's focus on the educational and development sectors, their purchases and engagements are highly specific. The majority of organizational expenses include trainer fees, training expenses, consumables for training, small equipment, HR expenses, maintenance, fuel and transportation, and activity-related costs etc.

IECD and SDA do not engage in large-scale equipment purchases or major acquisitions.

IECD utilizes a reputable accounting software with Euros as its accounting currency.

SDA utilizes a reputable accounting software with Lebanese Pounds (LBP) as its accounting currency and also has dedicated payroll software.

Neither IECD nor SDA is registered with the VAT department, and they are not exempt from VAT payments. IECD and SDA do not request VAT reimbursement.

2. Auditor's Mandate

a. Objectives

The objective of this Terms of Reference (TOR) is to engage an external auditor to provide comprehensive audit services for IECD and SDA organization.

This engagement aims to represent the organization in front of legal authorities in Lebanon, certify our financial accounts, and ensure compliance with the country's legal rules and regulations. Additionally, the auditor will play a crucial role in ensuring the transparency of our organizational activities to our donors, stakeholders, and board members.

The external auditor will provide an independent opinion to the board members, offering insights and recommendations that support the management in informed decision-making processes.

Furthermore, the external auditor will support the organization by providing advisory services, best practices, and solutions to complex problems encountered during implementation within their scope of expertise.

b. Deliverables :

#	Deliverables description	Required Services	Requestor of the services
<u>Deliverable 1:</u>	Support with the Ministry of Finance, Ministry of Interior and NSSF declaration	<ol style="list-style-type: none">1. Completion and submission of the MOF and MOIM annual closing declaration based on the financial statement.2. Assistance: Review and validation of NSSF and MOF declarations during the year with explanations for corrections	IECD: MOF and MOIM SDA: NSSF, MOF and MOIM
<u>Deliverable 2:</u>	Social, Tax, and Compliance Advisory Services	<ol style="list-style-type: none">1. Daily advisory and consultancy on legal, social and tax compliance (including taxation, contracts management, contributions, benefits, etc.).2. Information on regulatory changes that impact accounting and financial practices including the translated decree/circular (summary of changes), along with a brief interpretation of the new decision and its impact.3. Advise on types of contracts applicable for our activities and associated risks.	IECD and SDA

	Provide recommendations on current accounting practices and/or identified risks to management	<ol style="list-style-type: none"> 1. Review a sample of accounting entries per semester, especially those related to regulatory changes that impact accounting and financial practices and provide a recommendation letter to management on good practices/identified risks. 2. Provide best accounting practices to reflect the actual situation of the accounts as accurately as possible. 	IECD and SDA
Deliverable 3:			
	SDA Financial Statement Certification	<ol style="list-style-type: none"> 1. Deliver an audit report reflecting the actual status of the balance sheet and accounting books in various currencies (LBP, USD). 2. Delivery a detailed report for SDA board members with useful information, graphs, and figures for financial reporting. 	SDA
Deliverable 4:			

c. Contract terms and conditions

Two separate contracts will be signed with the selected external auditor: one with IECD and another with SDA, as they are independent legal entities.

The fees for the awarded contracts will be based on the selected financial offers submitted to each entity, considering the services and deliverables, organization size, and specific requirements. Each contract will be an annual agreement, automatically renewed for an additional year unless terminated by either party at least two months before the renewal date.

The contracts will be fixed-price agreements, subject to reevaluation if there are changes in tasks, responsibilities, or other factors affecting the fees. Any adjustments must be approved in writing by both parties and formalized with an amendment to the original contract.

d. Responsibilities of the parties:

The external auditor or audit firm is responsible for delivering the agreed-upon services in accordance with the contract, ensuring high quality and adherence to the specified terms. Specific services may be quoted and delivered separately. The auditor is required to maintain the confidentiality of all information during the contract period and beyond its termination. Additionally, the auditor must adhere to the code of conduct and integrity policies of the respective entities.

IECD and SDA are responsible for providing the auditors with all necessary information and requests, ensuring transparency and cooperation. They must facilitate the auditors' mission to complete their tasks efficiently.

e. Delivery Materials :

Under this contract agreement, the external auditor is required to deliver the following materials necessary for validating the quality of service:

1. New governmental and legal decrees, along with summaries of new rules and regulations, translated into French or English.
2. An interim report for semi-annual account review and closing, if requested.
3. A management letter identifying any risks and their levels to assist management in decision-making.
4. Documentation highlighting poor accounting practices and recommending good practices, along with a follow-up on the action plan.
5. A final annual audit report for the board members and SDA management, certifying the organization's accounts.

3. External Auditor and Selection Criteria

a. Technical Eligibility criteria and Auditor competencies:

The required skills and profile to conduct this audit are as follows:

- Membership in a national organization of chartered accountants, which is itself a member of the International Federation of Accountants (IFAC).
- Knowledge and professional experience in auditing, with significant experience in auditing and providing similar services to other organizations.
- Significant experience in auditing NGOs. International NGOs and agencies is a plus.
- Proficiency in Arabic and French or English is essential.
- The audit firm/External Auditors must have sufficient resources to complete the mission within the specified deadlines.
- Ability to support the organization and provide recommendations to senior management.

b. Selection Modality of candidates :

The selection of offers will be based on the quality of the technical proposal, which will be evaluated on the written proposal and orally during a technical interview of shortlisted candidates, and the financial offer, each being subject to distinct scoring.

The financial offer must be 2 separate offers, one addressed to IECD, and another one addressed to SDA, quoting each deliverable listed in the terms of reference and requested by the entities.

The technical proposal must include:

- a) An understanding notes of the terms of reference.
- b) A presentation of the team proposed for the audit service, including CVs and portfolios of its members.
- c) References of the audit firm/External auditor (including those related to similar services for NGOs).
- d) Certificates obtained by the audit firm.
- e) Certificate of business registration, certificate of incorporation, business license, or similar document (commercial circular and trade register).

- f) Provide the ID of the authorized signatory.
- g) Sample of an annual audit report and management letter compliant with the terms of reference. (The name of the entity and confidential information can be hidden for confidentiality).
- h) Provide a certified copy of the tax registration (VAT document if applicable).

The technical proposals will be evaluated based on their compliance with the above criteria using the following scoring system:

- Understanding of the terms of reference and description of offered services: 30 points (minimum 15)
- Experience and qualifications: 35 points (minimum 18)
- Sample audit report: 35 points (minimum 18)

Each compliant proposal will be assigned a technical score (St). A proposal will be rejected at this stage if it does not meet important aspects of the terms of reference or does not achieve the minimum total technical score of 70 out of 100 points, or achieve less than the minimum for any of the three criterion.

The qualified candidates will be invited for an interview for oral technical evaluation at the IECD and SDA office in Beirut.

The oral technical evaluation will be scored over 100, based on the effectiveness and ability to express technical skills and soft skills of the candidate, and also the level of terms of reference understanding. The technical score will in this case be weighted as follows: **60%** for the written part and **40%** for the oral part.

The technical proposal will constitute 60% of the total score, and the financial proposal will constitute 40% of the total score. The calculation will be done as follows:

The lowest financial proposal (Fm) will receive a financial score (Sf) of 100 points. The financial scores (Sf) of the other financial proposals will be calculated as follows:

$$Sf = 100 \times Fm / F$$

Where Sf is the financial score, Fm is the lowest financial proposal, and F is the amount of the considered proposal.

The proposals will then be ranked based on their combined technical (St) and financial (Sf) scores after applying weightings (T = 0.6 for the technical proposal and P = 0.4 for the financial proposal), according to the formula: $S = St \times T + Sf \times P$.

c. Payment modality

The payment will be made as follows:

- a) 25% of the Contract Price will be paid upon signing the Contract and at the beginning of each year.
- b) 35% of the Contract Price will be paid upon satisfactory receipt of the interim audit mission report.
- c) 40% of the Contract Price will be paid upon satisfactory receipt of the final audit mission report and annual year closing.

Payment will be made upon submission of the invoice within 15 days.

If the supplier does not have an account with Audi Bank, the supplier must bear their transfer fees.

4. Offer presentation deadlines

Technical and financial proposals must be submitted before **Friday 26 July 2024, at 5:00 PM Beirut time** - (date and time of email submission or hand delivery or postmark will be considered) according to the following procedure: The technical and financial offers must be sent exclusively **by email to LBN_Tenders@iecd.org (DO NOT copy any other IECD email addresses, otherwise the bidder will be disqualified)**.