



**BASMEH & ZEITONEH**  
RELIEF & DEVELOPMENT

® 145/2014  
Beirut, Lebanon  
+9611283611

## **Terms of Reference**

### **for the Audit of the Financial Reports and Management Letter**

### **for the projects led and implemented by Basmeh & Zeitooneh, Lebanese Association for the year 2023**

The following are the terms of reference (“TOR”) for the performance of a financial audit of the projects led and implemented by Basmeh & Zeitooneh. Basmeh & Zeitooneh aims to select a preferred audit firm service provider to conduct project audits for selective projects during 2023. The deliverables include an Audit Report and a Management Letter per project audited.

#### **Background**

Basmeh & Zeitooneh started as a grassroots organization in 2012 when a group of volunteers in Lebanon – driven by the plight of refugees – began a small relief operation.

Today, Basmeh & Zeitooneh has grown into the largest and most established refugee-led relief organization in the world. Working in four countries, we respond to the acute needs of both the displaced and their host communities. We help people reclaim dignity and agency over their lives.

Our mission:

Basmeh & Zeitooneh is a refugee-led relief and development organization responding to the acute needs of displaced and host communities to help people reclaim dignity and agency over their lives. Not Forgetting that our vision is to foster a constructive society that lives with dignity.

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

**BASMEH & ZEITONEH (B&Z)** is the organization that received the grants and donations and who signed the grant contract with its partners and donors

**B&Z** 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 the project reports and B&Z’s accounting and bookkeeping.



**B&Z** 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**" 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 on 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.

## **2) Introduction and Objectives.**

Total expenditures for the total duration are expected to be 6,000,000 USD for a total of 15 projects or more. Funded by multiple donors.

The audit agreement duration is within the fiscal year 1st January 2023 until 31 December 2023. Yet project duration and amounts differ from one project to another.

The objective of this tender is to select a preferred audit firm responsible for Auditing projects implemented by Basmeh & Zeitooneh. The Auditor is responsible to issue management letters and audit reports for each project separately taking into consideration any special condition set by the donor.

The objectives are

- 1- To enable the auditor to express a professional opinion on the financial reports and on the quality of the underlying accounting as well as on the administrative processes in place, processes that must ensure transparency and traceability of funds made available under the project.



2- To provide assurance that the expenditures conform to the contract signed by the Partners. In case of non-compliance, the auditor should identify ineligible expenses and list and quantify them in a specific document.

3- To also make sure 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 the agreed terms.

### **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 considers necessary to give an opinion.

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 applicable procurement and tender procedures.

The auditor will ensure that the project accounts have been prepared in accordance with generally accepted accounting standards and present fairly the financial position of the project.

In addition to the audit report, the auditor will:

- Prepare a "management letter", in which the auditor will submit his comments and observations on the accounting records, systems and processes in place. B&Z commits to put together - prior to the arrival of the auditor - and make to him/her freely available comprehensive documentation of their procedures (accounting and finance, purchasing and logistics, human resources, etc...) as well as all pertinent accounting records.
- Identify specific deficiencies and areas of weakness in systems and internal controls and make recommendations to address them in the management letter.
- Assess whether the financial commitments entered into compliance with the requirements of the financing agreement and will submit his/her comments, if any, on the appropriateness of the pertinent internal controls.
- Bring the attention of the Chief Executive officer, Chief Support Services officer, and Internal Control Manager to any other matters that the auditors consider pertinent.

### **4) Particular points for attention**



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

### **Accounting Procedures:**

#### General:

- Verify that all accounting entries are properly documented.
- Reconcile Project Budgetary Accounting (initial/revised) to General Accounting and explain any variance.
- Ensure that General Accounting Project Budgetary Accounting and Monthly Reports to the donor reconcile on a total and itemized basis.
- Verify bank reconciliations and validation by an appropriate hierarchical level.

#### Balance sheet:

- Analyze and verify other debtors' and other creditors' balances together with accrued and prepaid expenses (expenses in advance, deferred revenues, accruals, provisions, etc).
- Ensure that all fiscal and social charges have been properly accrued.

### **Funds and grants received from donors:**

- Check that all funds received for the project being audited are specifically identifiable in the books and are not commingled with other funds.
- Ensure that the contractual procedures applicable to the receipt of funds for Community Based legal Empowerment programs in Lebanon are being complied with. This includes a review of the tender process employed to purchase assets/contract services above the tendering threshold.
- Check that funds received have been accounted for.
- 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 outflow. The auditor will present the results in a table (initial balance, funds received, eligible expenses, final balance).

### **Financial report:**

- Check that individual transactions are properly classified in the monthly donor report.
- Carry out an analytical review of expenditure items included in the financial report.
- Determine the amount of any ineligible expenditures



- The expenditure corresponds to a budget line of the project
- The reported value is confirmed by supporting documentation such as tender process, invoices, wages (pay slips, payroll journal), payments, delivery notes, and names of beneficiaries when applicable.
- The date on the proof is within the respective reporting period.

If the auditor finds an ineligibility rate of over 5% within his sample, he/she will expand the sample. He/she will further expand his testing to 85% of total direct costs reported if the test work conducted indicates an ineligibility rate of over 20%. In his final report, the auditor will indicate the total amount checked and the coverage rate. He will quantify the amount recognized as ineligible (value and % of total direct costs).

#### **5) Audit location and reporting language**

The audit report and management letter will be drawn up in the English language.

The audit work will be carried out at the offices of B&Z, located in Beirut, Lebanon. Or remotely based on the circumstances.

#### **6) Deliverables**

1- The selected Auditor/Audit firm on finalizing the audit process will submit (3) original copies of the Audit Report appended to the Financial Statements along with the reports to the attention of the Country Director and Finance Manager.

2- Management letter in accordance with the scope of work described here to be directed to the attention of the CEO and ICM.

#### **7) Audit Request Response**

The auditor/audit firm shall accept B&Z requests for auditing within a maximum of three weeks from the date of the request.

#### **8) Mode of payment**

Mode of payments for the requested services to be done through bank transfer “Fresh USD” to local or international accounts.

#### **9) Presentation of the proposal**



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It is for the tenderer to estimate the audit time budget and to discuss this prior to the contract signature. The tender will have to present in its technical proposition the main stages of the audit mission in a chronogram.

The technical and financial proposals should be sent by electronic email to B&Z no later than February 20, 2023

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Email: [procurement@basmeh-zeitooneh.org](mailto:procurement@basmeh-zeitooneh.org)

Internal control manager: Hakam Bunni  
Email: [ss.control@basmeh-zeitooneh.org](mailto:ss.control@basmeh-zeitooneh.org)

Further questions or clarifications related to the term of references are to be directed to the below emails

Procurement Officer: Mohammad Ibrahim  
Email: [procurement@basmeh-zeitooneh.org](mailto:procurement@basmeh-zeitooneh.org)

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