

(version 210304)

Procurement Request & Terms of Reference – Consulting Services (Simplified Tendering)

Audit services for a 3-year period 2022-2024

1. INTRODUCTION

Diakonia is a Swedish faith-based development organization that works to change unfair structures that generate poverty, inequality, oppression and violence. The organization was founded in 1966 and is today rooted in two Christian denominations: the Swedish Alliance Mission and the Uniting Church in Sweden. Our vision and mission are based on theological reflection and the universality of human rights. Diakonia works with around 400 partner organizations (2021) and employs approximately 300 staff in 25 country offices and four regional offices in Africa, Asia, Latin America, the MENA (Middle East and Northern Africa) region and Sweden.

The Diakonia Lebanon office was established in 2010 and currently oversee programs implemented directly and with local partners.

Diakonia shall procure/commission an audit of the financial report of the project that includes financing from Diakonia in accordance with the conditions set in the Cooperation Agreement between Diakonia and SIDA, dated 31 January 2022.

The Audit Firm and/or the Auditor shall be a member of IFAC.

In order to be compliant with Diakonia group audit instructions and with the new procurement guidelines, Diakonia is undergoing a procurement process with an auditor to provide audit services for a 3-year period

1.1 THE SCOPE OF WORK AND PURPOSE OF THE AUDIT

The audit concerns the financial report for the project IHL for the period 1 January 2022 – 31 December 2022.

The purpose of the audit is to express an audit opinion in accordance with ISA 800/805 on whether the financial report of the project support is in accordance with Diakonia requirements.

1.2 THE AUDITOR'S REPORTING

The reporting shall be signed by the responsible auditor (not just the audit firm¹) and shall include the title of the responsible auditor.

The Independent Auditor's report

The auditor's reporting shall include an independent auditor's report in accordance with the ISA 800/805 and the auditor's opinion shall be clearly stated.

The financial report that has been the subject of the audit shall be attached to the audit report.

¹ If the audit firm is obliged to sign, refer to relevant legislation. Diakonia needs to know who has been responsible for the audit assignment.

The Independent Auditor's report should cover whether the project's:

- Financial report gives a true and fair view of the activities of the project
- Whether the implementation has complied with the rules and conditions governing the use of funds as stated in the Agreement
- Financial reporting has been done as per agreement and that the funds are included in the Diakonia's accounting

The Management Letter

The audit reporting shall include a Management Letter that discloses all audit findings, as well as weaknesses identified during the audit process. The auditor shall make recommendations to address the identified findings and weaknesses. The recommendations shall be presented in priority order and with a risk classification.

Measures taken by Diakonia to address weaknesses identified in previous audits shall also be presented in the Management Letter. If the previous audit did not have any findings or weaknesses to be followed-up on, a clarification of this must be disclosed in the audit reporting.

If the auditor assesses that no findings or weaknesses have been identified during the audit that would result in a Management Letter, an explanation of this assessment must be disclosed in the audit reporting.

Diakonia considers the following Cooperation Agreement areas to be of special importance:

- Whether a satisfactory system for financial management and internal control, assessing the effectiveness of policies and procedures in preventing or detecting fraud, is applied
- If the accounting is in accordance with Accepted Accounting Standards in Lebanon or with International Financial Reporting Standards (IFRS)
- Salary costs
- Supporting documentation related to incurred costs
- Compliance with rules and regulations regarding taxes and social security fees
- Procurement
- Signed agreements with contracting partners
- If any sub granting is allowed signed agreements with partner organisations for which funds financing the project have been used verifying compliance with the conditions of the Agreement.

The Independent Auditor's reporting shall be received by Diakonia not later than 15 April 2023. This assumes that the Auditor has been able to start their audit not later than four weeks before the due date of the report, and that the documentation regarding the financial report is complete.

The organization Diakonia shall present a Management Response to the auditor's reported findings, including an action plan with clear deadlines.

1.3 TERMS OF REFERENCE FOR AGREED-UPON PROCEDURES ENGAGEMENT, ISRS 4400

The Agreed-UpOn Procedures engagement in accordance with International Standards on Related Services, ISRS 4400 concerns review of specific areas under the period of reporting and may concern both financial and non-financial information. The purpose is to review Diakonia's compliance with the Cooperation Agreement for the project concerned, signed between SIDA and Diakonia. The size of the samples needed for the review below is based on the analysis of materiality and risk done by the auditor under the ISA 800/805 assignment.

Mandatory procedures that must be included:

1. Observe whether the financial report is structured in a way that allows for direct comparison with the latest approved budget²
2. Observe and inspect whether the financial report provides information regarding:
 - a. Financial outcome per budget line (both incomes and costs) for the reporting period and columns for cumulative information regarding earlier periods under current agreement.
 - b. When applicable, compare if the opening fund balance³ for the reporting period matches with what was stated as closing fund balance in the previous reporting period.
 - c. A disclosure of exchange gains/losses. Inquire and confirm whether the disclosure includes the entire chain of currency exchange from Sida's disbursement to the handling of the project/programme within the organisation in local currency/ies, if applicable.
 - d. Explanatory notes (such as, for instance, accounting principles applied for the financial report).
 - e. Amount of funds that has been forwarded to implementing partners, when applicable.
3.
 - a. Inquire and inspect with what frequency salary costs during the reporting period are debited to the project/programme.
Choose a sample of three individuals for three different months and:
 - i. Inquire and inspect whether there are supporting documentation⁴ for debited salary costs.
 - ii. Inquire and inspect whether actual time worked is documented and verified by a manager. Inquire and inspect within which frequency reconciliations between debited time and actual worked time is performed.
 - iii. Inspect whether Diakonia complies with applicable tax legislation with regard to personal income taxes (PAYE)⁵ and social security fees.
4.
 - a. Inspect and confirm that the unspent fund balance (according to the financial report) at the end of the financial year is in line with information provided in the accounting system and/or bank account.
 - b. Applicable **the final year**: Inspect and confirm the unspent fund balance (including exchange gains) in the financial report and confirm the amount that shall be repaid to Diakonia.
5.
 - a. Inquire and inspect if the agreed overhead costs are based on a cost recovery model. Obtain information on debited overhead costs within the project and

² The budget is attached to the agreement with Diakonia as an annex and any updates should be supported by a written approval by Diakonia.

³ I.e. funds remaining from disbursements made during previous reporting period/s

⁴ Debited salary costs should be verified by supporting documentation such as employment contracts.

⁵ Pay As You Earn

- confirm whether the costs are in line with Diakonia's routines for allocating overhead costs to different projects.
- b. Inspect whether there is a reconciliation between the budgeted amount and the actual costs for overhead on an annual basis.
 6. Review, on sample basis, whether Diakonia has adhered to the procurement guidelines annexed to the Cooperation Agreement.
 7. Regardless of materiality, quantify the amount of costs missing supporting documents.
 8. If Diakonia has third party agreements, inquire and inspect whether there is an unbroken chain of audited financial reports according to the requirements as stipulated in the agreement between Diakonia and Diakonia, for funds disbursed the previous year. The inquiry and inspection shall include whether Diakonia makes documented assessments of the audited financial reports submitted to Diakonia and whether these reports are followed-up by Diakonia.

Reporting on Agreed-upon procedures

The additional assignment according to agreed-upon procedures ISRS 4400 shall be reported separately in an "Agreed-upon procedures report".

Performed procedures should be described and the findings should be reported in accordance with the requirements in the International Standard on Related Services 4400.

When applicable, the sample size shall be stated.

2. CONTENT OF TENDER

Your tender shall include the following information when sending it to Diakonia:

- 1) A presentation of the company's profile and the consultant(s) proposed to implement the assignment, including education, expertise and previous experience of relevance. This will include a copy of the audit firm's credentials in Lebanon.
- 2) A description of the approach and methodology for implementing the assignment following the Terms of Reference.
- 3) Proposed timeframe for the IHL Promoting Humanity in armed conflicts 2022-2024" Project number 15040.

Technical and Financial proposals should be sent in two separate files/attachments.

- 4) Signed "Diakonia's Code of Conduct for suppliers" (Appendix 2)
- 5) Contact details
- 6) Signed "Confirmation of Eligibility" (Appendix 3)

3. TENDER SUBMISSION

3.1 Tender delivery

The proposal shall be sent by email to Ops.LebanonCO@diakonia.se

3.2 Submission deadline

The submission deadline is **10 January 2023** at 17h00 Beirut time.

Tenders that are submitted after the deadline will not be considered. The selected auditor will be notified within two weeks from closing date.

3.3 Tender Validity

Your tender shall be valid for 90 days after the submission deadline.

4. PROCUREMENT METHOD AND SELECTION PROCEDURE

4.1 Procurement Method

Diakonia applies a simplified procurement method for this procurement.

4.2 Selection Procedure

Only complete tenders that were submitted on time as per clause 3.2 above and that fulfil the requirements in terms of the technical specifications and deliveries will be evaluated.

The contract will be awarded to the economically most advantageous tender, determined by the best price-quality ratio (quality and cost-based selection, QCBS).

The examination of submitted tenders will be carried out based on the technical and price criteria stated below, where the technical evaluation will have a weight of 60% and the financial evaluation a weight of 40%. The tenderer with the highest total points, will be awarded the contract.

The technical evaluation criteria for this procurement are:

Technical Criteria	Max. points
1) Experience and expertise of the company and proposed consultant(s)	40
2) Suitability of approach and methodology	30
3) Adequacy of time-plan	30
Total max points	100

The technical evaluation will be based on the following rating scale, whereby the percentage rate is multiplied with the maximum points for each criterion.

Rating scale	Rate	Definition
Poor	0%	Not sufficient
Not entirely satisfactory	40%	Sufficient in some respects but not as a whole
Satisfactory	60%	Sufficient but lacks substantial advantages or has uneven quality
Good	80%	Adequate and well suited to the purpose
Very Good	100%	Gives added value and shows high quality on the whole

The tender must achieve a minimum of **70** points as a condition for further financial evaluation of the price.

The calculation of the total points for each tender is made according to the formula below, where the tender with the highest technical points will be recalculated to 100 technical points and the tender with the lowest price will get 100 financial points. The technical points are thereafter multiplied with the technical weight and the financial points are multiplied with the financial weight. The sum of the weighted technical and financial points = total points.

$\text{Total points} = \frac{\text{Proposal under consideration}}{\text{Highest points}} \times 100 \times \text{technical weight} + \frac{\text{Lowest price}}{\text{Proposal under consideration}} \times 100 \times \text{financial weight}$

5. TENDER INFORMATION

5.1 Client Contact Details

Client: Diakonia

Office: Lebanon, Badaro

Phone/Cell: 01/390073

Emails: Ops.LebanonCO@diakonia.se

Postal address: Badaro, Alam street, Saade Bldg., 2nd floor

Address for courier (may not be the same as postal address): Badaro, Alam street, Saade Bldg., 2nd floor

Contact person: Eliana Aoun

5.2 Appeal

Decisions taken as part of Diakonia's procurements are not possible to appeal⁶ against and Diakonia is not obliged to disclose the procurement documentation after completion of a procurement.

List of Appendices:

Appendix 1: Diakonia's project audit ToR

Appendix 2: Diakonia's Code of Conduct for suppliers (To be signed and submitted together with Tender)

Appendix 3: Confirmation of Eligibility (To be signed and submitted together with Tender)

⁶ Diakonia is not covered by the Swedish Public Procurement Act (LOU).