

TERMS OF REFERENCE FOR THE ANNUAL AUDIT OF PROJECT AND PROGRAMME SUPPORT INCLUDING ISRS 4400

The audit shall be carried out in accordance with International Audit Standards (ISA) issued by IAASB¹. In addition, an assignment according to International Standards on Related Services (ISRS) 4400 shall be carried out. The audit and the additional assignment shall be carried out by an external, independent, and qualified auditor.

I. INTRODUCTION

Diakonia is an organization registered in Sweden under registration number 802017/3517; registered office at Gustavslundsvägen 18, Alvik Torget, 16714 Bromma. Diakonia has its regional office Middle East and Africa (MENA) located at the same registered address. Geneva Call is an organization having registered office in chemin de la Chevillarde, CH-1224 Chêne-Bougeries, Geneva, Switzerland.

Diakonia is the Coordinator for the Grant agreement ECHO/NF/BUD/2022/91011 for project: 2022/00772 signed between the European Union, represented by the European Commission (granting authority) and Diakonia SW Gustavslundsvägen 18, Alvik Torget, 16714 Bromma, Sweden. *The total grant budget is 1,632,164 EUR including 2% contributions (32,164 EUR) by other donors.*

Geneva Call is the implementing partner for this project; together Diakonia and Geneva Call have a cooperation agreement- contract number (*grant ID 531–project ID 6087*) concerning the Implementation of the Project: Improved Protection of Civilians Across MENA Region through Increase Knowledge and Respect of International Humanitarian Norms. The project is implemented in different locations, Syria, Iraq, Yemen, and Libya-Regional Engagement. Upon this agreement, Diakonia will fund Geneva Call with a total of 1,322,544 Euro in accordance with the approved Project Plan and Budget. Additionally, GC has agreed to contribute with an additional 2%-amount of 26,615 EUR from other sources.

The parties to this ToR are Diakonia *MENA office for Lebanon*, and **Geneva Call**.

[Diakonia MENA Regional Office] shall procure/commission an audit of the financial report of the project 2022/00772 (Agreement number *ECHO/NF/BUD/2022/91011*) for the period [2022/06/01] – [2023/05/31].

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

II. THE SCOPE OF WORK AND PURPOSE OF THE AUDIT

The audit concerns the financial report for the project (Improved Protection of Civilians Across MENA Region through Increase Knowledge and Respect of International Humanitarian Norms) for the period 2022-06-01 to 2023-05-31.

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 [Geneva Call and Diakonia]'s accounting records and the Diakonia and the granting authority requirements for financial reporting as stated in the Cooperation Agreement between the [Geneva Call and Diakonia Country Office Lebanon]'s, dated [2022/08/15] and the Grant agreement signed between the granting authority (EC) and Diakonia Sweden, dated 2022/07/20 .

III. THE AUDITOR'S REPORTING

The reporting shall be signed by the responsible auditor (not just the audit firm²) and shall include the title of the responsible auditor.

¹ The International Auditing and Assurance Standards Board (IAASB)

² 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

The auditor's reporting shall include an independent auditor's report in accordance with 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.

The Independent Auditor's report should cover the following:

- A 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 [Geneva Call and 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. 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 [Switzerland] 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 MENA Regional Office] not later than [2023/08/31] for the final audit report and no later than [2023/04/15] for the first review report. This assumes that the Auditor has been able to start their audit beginning of March 2023 for an initial review covering the period of (1 June 2022 -28 February 2023) and not later than four weeks before the due date of the final audit report covering the entire project period 1 June 2022-31 May 2023, and that the documentation regarding the financial report is complete.

For reporting and functional clarity, a separate report for Geneva Call expenditures and Diakonia's expenditures is required to be drawn up separately in addition to the consolidated financial report. It's also required that the auditor issues two Management Letters for each of the parties upon completion of the assignment. A separate report on ISRS 4400 related to GC and another for Diakonia is required no later than [2023/08/31]

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

IV. 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 [Geneva Call and Diakonia's] compliance with the Cooperation Agreement for the project concerned, signed between [Geneva Call and Diakonia's] & Diakonia and DG ECHO. 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 budget³

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 balance⁴ 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 DG ECHO disbursement to the handling of the project/program within the organization 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 have 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 documentation⁵ 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 [Geneva Call and Diakonia] complies with applicable tax legislation with regard to personal income taxes (PAYE)⁶ and social security fees.

³ The budget is attached to the agreement with Diakonia as an annex and any updates should be supported by a written approval by Diakonia.

⁴ I.e. funds remaining from disbursements made during previous reporting period/s

⁵ Debited salary costs should be verified by supporting documentation such as employment contracts.

⁶ Pay As You Earn

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 to **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 confirm whether the costs are in line with [Geneva Call and 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 annually.

6. Review, on sample basis, whether [Geneva Call and Diakonia] has adhered to the procurement guidelines annexed to the Cooperation Agreement.

7. Regardless of materiality, quantify the amount of costs of missing supporting documents.

8. If [Geneva Call and Diakonia] have 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 [Geneva Call and Diakonia], for funds disbursed. The inquiry and inspection shall include whether [Geneva Call and Diakonia] make documented assessments of the audited financial reports submitted to [Geneva Call and Diakonia] and whether these reports are followed-up by [Geneva Call and 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.

Focal persons:

For this assignment for audit opinion in accordance with ISA 800/805 on the financial report and for the Agreed-upon procedures report under ISRS 4400, the focal persons shall be as follows:

For Diakonia:

Ikram ul Haque
Regional Financial Controller,
Ikram.haque@diakonia.se
Ph:

For Geneva Call,

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