

TERMS OF REFERENCE FOR AN EXTERNAL AUDIT

These Terms of Reference are intended to define the scope, objectives, methodology of external audits, along with reporting requirements.

Special attention should be given to the independence of the audit team. The contracting partner will determine, the duration of the audit and the starting date.

Scope

The audit should cover accounting and financial documents of the Aktion Deutschland Hilft Member Organisation in relation with the following documents:

- Funds release order (Mittelabruf) and Budget
- Final Report and Financial Report
- Subcontractors details - when relevant

The auditors will be given full access to the member organisations records, which are relevant to this audit. All information reviewed is to be treated in confidence.

Objectives

The main objective of the audit is to control the maximum number of justifying proofs supporting the financial report submitted to Aktion Deutschland Hilft by the member organisation or its subcontractor(s).

The audit must ascertain whether:

- Expenses are adequately supported by original proofs and have been properly accounted for
- Expenses have been incurred during the project period
- Expenses charged to the project have been duly authorised
- The method applied for the conversion of local currencies into Euro is consistent with standard accounting practices

Methodology

- The audit methodology and the audit techniques to be used are those which accord with international auditing standards by inspection of original supporting documentation.

Reporting

The auditors shall provide the Member Organisation with a draft report of their findings including an opinion in the attached format, a management summary and a set of conclusions and recommendations, not later than one month after the end of their field work.

These findings are to be reviewed by the two parties before the final report is established and communicated to them. This final report must achieve the objectives set out in these Terms of Reference. For each recommendation made by the auditor,



the final report should include the comments made by Member Organisation during the debriefing at their offices in the recipient country.

In the event that expenditures are found that are not justified, the auditors must accompany their audit opinion with a declaration specifying the reasons and amounts.

Please refer to Annex II and III for an indicative format of the opinion and audit report respectively.

The auditors shall also provide the Member Organisation, exclusively, with a management letter, addressing the following issues:

- Irregularities or fraud identified (e.g. private use of Aktion Deutschland Hilft funds, forged documentation such as reports or invoices)
- Aspects relating to a lack of collaboration on the part of the Member Organisation
- Problems relevant to the financial monitoring of projects
- Other aspects considered worthy of the Aktion Deutschland Hilft attention

Reports are to be written in German or English.

ANNEX I – EXPENDITURE ITEMS TO BE AUDITED
(to be adapted in accordance with audit needs identified)

Expenditures	Print-out from system	Supporting original documentation
<ul style="list-style-type: none"> Costs of Relief Goods 	<ul style="list-style-type: none"> Details of costs as per the accounting system 	<ul style="list-style-type: none"> Documentation supporting tendering process if relevant Invoices / Payments Handover protocols
<ul style="list-style-type: none"> Costs of Relief Measures 	<ul style="list-style-type: none"> Details of costs as per the accounting system 	<ul style="list-style-type: none"> Documentation supporting tendering process if relevant Invoices / Payments Handover protocols
<ul style="list-style-type: none"> Costs of Personnel 	<ul style="list-style-type: none"> Payroll – details of personnel costs in the accounting system 	<ul style="list-style-type: none"> Contracts Records that document the work on the project
<ul style="list-style-type: none"> Costs of Transport & Storage 	<ul style="list-style-type: none"> Details of costs as per the accounting system 	<ul style="list-style-type: none"> Documentation supporting tendering process if relevant Invoices / Payments
<ul style="list-style-type: none"> Other costs (financial service costs, office costs, costs of consumables and supplies, evaluations etc.) 	<ul style="list-style-type: none"> Details of costs as per the accounting system 	<ul style="list-style-type: none"> Documentation supporting tendering process if relevant Invoices / Payments Reports if relevant
<ul style="list-style-type: none"> Travel and subsistence expenses for staff involved in the operation 	<ul style="list-style-type: none"> Details of costs as per the accounting system 	<ul style="list-style-type: none"> Transport tickets Lease contract or other documentation supporting accommodation costs
<ul style="list-style-type: none"> Cost of equipment 	<ul style="list-style-type: none"> Asset records Inventories Reconciliation between asset records and inventories 	<ul style="list-style-type: none"> Documentation supporting tendering process if relevant Invoices / Payments Calculations of depreciation

Other audit work that may be undertaken, as necessary:

- Review of reconciliation between accounting records and bank statements for all bank accounts
- Review of cash, inventory

ANNEX II – FORMAT OF THE AUDITORS OPINION

The auditors' opinion should comply with the following format:

[Audit Company name] has carried out an audit of the funds used in the implementation of [Aktion Deutschland Hilft project no.] during the period [DATE] to [DATE].

In the opinion of the auditors the Member Organisation can/can not justify certain of/all of the expenditures it has declared to Aktion Deutschland Hilft, these conform/do not conform to the budgets presented and have been/have not been incurred within the relevant contractual time periods [DATE] to [DATE].

The auditors have found reported extra costs/ financial expenses for EUR ... that are not eligible.

In our opinion, with the exception of the matters referred to above, Aktion Deutschland Hilft funds covered by this audit have been/have not been used in accordance with the legal/contractual basis.

This opinion is for the use of Aktion Deutschland Hilft only and should not be disclosed to third parties without written permission.

ANNEX III – PRESENTATION OF THE AUDIT RESULTS

Aktion Deutschland Hilft funds release order, budget and final financial report

Audit opinion and statement

Analysis of the eligible/ineligible cost: showing per budget chapter;

- Amount budgeted
- Amount claimed
- Amount tested in %
- Proposed adjustments
- Eligible or ineligible costs

Summary of audit differences: showing in each case:

- Nature of the difference detected
- Amount involved
- Corrective action proposed
- Comments of the Member Organisation
- Working paper reference

Summary of the Member Organisations control/system weaknesses showing in each case:

- Explanation of the weakness
- Implication
- Recommendation
- Comments of the Member Organisation
- Working paper reference