

 **Terms of Reference for Project Audit Services**

Description of the service context and requirements

As a base of the Audit Engagement Letter (EL)

Diakonie Katastrophenhilfe, Regional Office Asia based in Amman, Jordan, seeks to appoint auditors to audit their financial statements for the project ECHO/TUR/BUD/2024/91000 - K called “***Rebuilding Life for Earthquake Survivors: Addressing Core Needs and Protection“*** implemented in Tukiye by STL (Hayata Destek Dernegi) over the period running from 01.05.2024 until 30.04.2025

# **Background and context of the project**

In February 2023, Türkiye was hit by two devastating earthquakes (7.7 and 7.6 magnitude). The earthquakes killed more than 53.000 people and injured more than 107.000 directly affecting an estimated total of 15.7 million people including 14 million citizens of Republic of Türkiye and 1.7 million foreigners living in the 11 hardest-hit provinces. Many face barriers to accessing services, such as shortages of appointments and financial constraints. Despite the efforts of the Turkish state and national and international organizations, many vulnerable people remain unreached, including persons with special needs, unregistered refugees, and survivors of gender-based violence.

Targeting survivors of the February 2023 earthquakes in Türkiye, through this Action, DKH and STL aims to rebuild protection and resilience of most vulnerable persons in the most affected provinces of Hatay, Adıyaman and Kahramanmaraş. While providing life-saving protection interventions for the most at risk individuals and households through case management, psychological support, referral to existing services, and multi-purpose cash assistance, the Action will contribute to restoring a protective environment building through community awareness and information provision for the affected population as well as capacity-strengthening for services providers.

* **Implementing partner organisation:** Hayata Destek Derneği – STL
* **Project Partner**: Diakonie Katastrophenhilfe - DKH
* **Third party fund donor:** Directorate General for European Civil Protection and Humanitarian Aid Operations – DG ECHO
* **Beneficiaries:** Earthquake affected people mainly refugees, GBV survivors, women at risk who live in Adıyaman, Hatay and Kahramanmaraş
* **Project activities:**
	+ Protection information provision
	+ Provision of psychoeducation sessions
	+ GBV key messaging and women’s empowerment sessions
	+ Provision of information on the project activities and the CRM system
	+ Protection Outcome Mapping
	+ Case Management
	+ Provision of individual psychological counselling
	+ Provision of cash for protection targeting GBV survivors
	+ Provision of MPCA
	+ Accountability and Monitoring
* **Overall project goals:** The Action’s principal objective is to contribute to the protection and resilience of refugee population affected by the earthquakes in Kahramanmaraş, Adıyaman and Hatay
* **Project objectives:** Improved access to unmet needs and rights and for most vulnerable and earthquake-affected refugees in Türkiye, by offering specialized protection services, information, awareness and CVA. The specific objective of the Action is to mitigate the protection and GBV risks of most vulnerable refugees through specialised protection services and multi-purpose cash assistance so that refugees can have access to services, resources and dignified solutions.

# **Regulations**

Auditors must ensure that project mentioned has been implemented in compliance with the requirements of the following documents of reference:

* **Legislation:** National legislation, with particular attention to:
	+ Respective social and labour law (including staff and salary regulations).
	+ Regulations on VAT and other taxes.
* **International standards**:
	+ ISA - *International Standards on Auditing*
	+ IFAC *– International Federation of Accountants*
	+ Relevant standards of the local accounting profession
	+ Local legislation on accounting and reporting
* **ECHO regulation: available in the MGA** [DGEcho WebSite (dgecho-partners-helpdesk.eu)](https://www.dgecho-partners-helpdesk.eu/reference-documents-ngo)
* **Project:** Cooperation agreement relative to the project or to the partner organisation, Project Documents, Terms of Reference (TOR), Budgets, plans of project activities
* **Accounting:** Accounting documents subject to the financial audit, financial and operational reports concerning the project.
* **Auditor:** The present terms of reference and the related mandate for financial audit.
* **Internal procedures i**.e procedural terms and conditions
* **Systems requirements for internal and management control systems** (Council Regulation (EC) No 1257/96, especially Article 7).
* **An “ASSURANCE Engagement”** (hereafter referred to as the “AE”) has to be performed in accordance with ‘ISAE’ 3000 (Revised) and the procedures shall reflect the framework of the herewith formulated Terms of Reference and its Annexes.

# **Audit standards and objectives :**

# In arriving at their opinion, auditors are required to consider the following matters and to report on them accordingly:

* whether the project holder’s financial statement is in agreement with the accounting records system and any other source of data (i.e asset, program, personal)
* whether funds were utilized in compliance with the purpose of the **earmarking of funds**
* whether the reliability of the existing financial cost management processes is in place to mitigate key risks such as errors, fraud, reckless expenditures, ethical procedures
* whether the verification of ethical and neutral compliances in the financial operations
* whether the auditors have obtained all the necessary information and explanations which they consider necessary for the purpose of their audit to form their professional opinion.

The following table outlines the **key audit dimensions and their specific requirements** that auditors must address during their review:

|  |  |
| --- | --- |
| **Audit Dimension** | **Description** |
| Consistency and Accuracy of income and expenditures | Accuracy and consistency of all programme’s expenses based the procured quantities, unit costs, and purpose and need for the project ; Control the different source of incomes reported i.e Is the Financial Project Report in accordance with bookkeeping? |
| Completeness  | The completeness of the reported data to the donor coming from the reconciliation of different sources and systems (accounting, reporting, assets, HR, bank, MEAL). |
| Existence | The validation of the costs existence through a proper documentation such as payment slips, bank reports, reports, contracts, approvals |
| Cut off  | Verify that expenditures are charged to the project prorata temporis  |
| Duplication and segregation  | Stamp the original vouchers with the project code and perform accurate controls in order to certify the absence of duplication of funding during and after the project’s ending date |
| Cost Efficiency  | Examination of the efficiency, the reasonableness, and appropriateness of programme expenditures procurements meeting the best value for money principle; |
| Compliance | The compliance with international standards, local law, donors' regulations and internal procedures and policy. |
| Translation | Existence of an adequate and sufficient translation in English within the back documentation of tested transactions and procedures  |
| Allocation and Cost-sharing methods | The proper allocation of shared resources and overhead costs across different projects and funding sources, including validation of allocation methodologies and ratios. |
| FX Conversion  | Confirmation of all income in foreign currencies to the bank accounts of on the basis of bank statements of accounting (including statements of exchange rates EUR/TRY and confirming the proper usage in accordance with statutory accounting rules on bookkeeping in implementing country); State the methodology applied in the audit report ; Reperformance of transactions paid in dollar or euro, to ensure that losses of exchange rate are not charged to the financial report.  |
| Authorization | Verification that all expenditures and financial decisions were approved by appropriate authorities according to delegation of authority matrices. |
| Budget Control | Assessment of budget versus actual spending, including analysis of variances and proper authorization of budget modifications. Purpose of the expenditure rightly allocated to the budget |
| Asset Management | Verification of asset definition, exhaustivity, existence, valuation, proper recording and management system in place (per user, per project) which should include a disposal and physical inventory procedures. Validation of the asset details list of the project disclosed in the audit report. |
| Documentation Quality | Assessment of the consistency, completeness, clarity, and organization of supporting documentation for all financial transactions. |
| System Controls | Evaluation of the effectiveness of financial management system controls, access rights, and data security measures or any duplication of funding. |
| VAT\* | Provide information on the treatment of taxes (especially VAT) in the financial reports.\* |

\* *For projects co-financed by the n Development Agency (ECHO), VAT is usually not eligible, unless it is proven that the VAT is borne effectively and finally by the organisation.*

# **Disclosure in the Audit report**

The auditor shall produce a draft and a final audit report based on the official project budget and exactly reflecting its budget line structure. The previous model of report will be shared with the auditors in order to ensure continuity of the disclosed information.

The audit report must be written in English and must state at minima:

* Contracting Organisation
* Project number and name
* Implementing organisations’ names and contact details
* Reporting period and currencies
* Indication of documents of reference for audit execution
* Exchange rates used in the financial report (to Euro or to the official project currency, as indicated in the project budget), with detailed explanation of their calculation (i.e methodology)
* List of the bank accounts and names used for the project
* Total amount of budgeted and actual expenditures (with differentiation between direct and indirect costs, as indicated in the official project budget\*)
* Total amount of budgeted and actual incomes received (per donor)
* Final and details of expenditures not disbursed (accruals) at the end of the project
* Closing balance per donor and related impact of non-accepted vouchers
* Total and comments on not-accepted vouchers
* Indication on treatment of taxes and especially VAT\*
* List of assets with details on category, purchasing dates, purchase value, status
* Conclusion of the Auditor with reasonable assurance
* Reference to contact persons/sources of information from implementing partner organization during audit execution
* Auditor's name, position, address, phone, fax and e-mail
* Date, auditor's signature

# **Conclusion of the auditor**

This specialized project audit differs from conventional institutional audits in its scope and focus.The external audit's primary purpose is to provide an independent **opinion on whether the project's financial statements present a true and fair view of the financial position, operational results, and asset management throughout the implementation period**.

**Please note that the Auditor attaches a list of non-accepted vouchers to the report.**

# **Financial Scale of the project and estimated workload:**

|  |  |  |
| --- | --- | --- |
|  | **DKH RO** | **STL** |
| Budget in Euro |  € 94 334  |  € 1 924 638 Euro  |
| Budget in TL |  | TL 78 641 892 TL |
| Overhead (fixed% not auditable)  | 3,5% (€ 73.966) | 3,5% (€ 67.362) |
| Total budget  | 2 160 300 Euro  |
| Number of transactions  | 50 transactions | 10 000 transactions |
| Number of Budgetlines (ECHO) | 5 | 23 |
| Number of Budgetlines (STL format) | 10 | 120 |

The audit team structure and workload estimation should account for the following critical factors:

**Project Complexity Assessment**

* Analysis of relief activity transactions and their unique documentation requirements
* Review of personnel cost structures and associated documentation
* Evaluation of shared cost allocation methodologies across multiple donors
* Assessment of severance payments and related legal compliance
* Understanding of humanitarian project-specific accounting practices

**Transaction Testing Coverage**

* Implementation of sampling methodology aligned with International Auditing Standards
* Determination of appropriate testing coverage based on:
	+ Transaction volume and materiality
	+ Risk assessment of different transaction types
	+ Donor-specific requirements for testing thresholds
	+ Previous audit findings and identified risk areas

**Key Process Evaluation**

* Identification and assessment of high-impact financial processes
* Evaluation of internal control systems
* Review of procurement procedures and documentation
* Assessment of cash management and distribution systems
* Examination of financial reporting and reconciliation processes

**Resource Planning Considerations**

1. **Core Audit Team Structure**
	* Lead Auditor with humanitarian sector experience
	* Senior Auditors for complex transaction review
	* Junior Auditors for documentation verification
	* Technical Specialists as needed (e.g., procurement, HR)
2. **Time Allocation**
	* Planning and preparation phase
	* Field work and transaction testing
	* Process evaluation and documentation review
	* Report writing and quality review
	* Communication with DKH supervision team
3. **Quality Assurance**
	* Internal review procedures
	* Documentation management
	* Report drafting and finalization
	* Stakeholder consultation and feedback incorporation

# **Languages of work :**

* 1. Of the documentation : Turkish
	2. Of the report : English only

The audit team must possess strong Turkish language capabilities for reviewing source documentation while maintaining professional English proficiency for report preparation, with adequate time allocation for accurate translation and quality control across both languages.

# **Expected deliverables from auditors**

* **Audit report** (all funding donors) must be drafted in accordance with DKH expectations and supervision to ensure consistency with the previous existing model and disclosed data :
	+ the approval of the financial data and cash balances - per donor and per partner
	+ details of the findings per BL and any related financial impacts

- details of some financial related information – such as assets, account payable and receivable, personal benefits, asset list– requested by DKH

* **Management Letter**: key findings related to the internal control including the comments / acceptation by the partners

# **Deadline and timeline :**

The audit diligences should start 20.05.2025 and final report shall be submitted by 07.07.2025

**AUDIT : FULL REPORT: 2 160 300 Euro**

|  |  |  |
| --- | --- | --- |
| **DKH Budget** | **until** | **who** |
| Letter/Expression of interest/offer\* | By 07/03/2025 | Publication by DKH / |
| Signed EL and contract with auditors | By 15/03/2025 | DKH/auditor  |
| List of the required documents for audit – STL cloud / pre-selection of transactions | By 15/03/2025 | Auditor to STL/DKH |
| Preparation of documents for audit on the cloud  | March 2025  | STL |
| Kick off meeting | By 08/04/2025 | DKH/STL/Auditor |
| Sample testing list from auditors based on final report | By 20/05/2025 | Auditor to STL |
| Auditing period  | June 2025 | Auditor / STL |
| Mid- term audit feedback | 21/05/2025 | Auditor to STL and DKH |
| Sending draft audit report to DKH/STL /Implementing partner organisation | By 27/06/2025 | DKH/STL  |
| Feedback from DKH/STL /Implementing partner organisation | 02/07/2025 | Auditor to STL and DKH |
| Finalization of and transmission of the final audit report to DKH And Management letter commented by IP | 07/07/2025 | **Auditor to DKH** |

# **Locations of the audit :**

# The audit can be performed in STL’s office in Istanbul but most of the documentation is mostly available in PDF and then audited remotely. Relief activities, equipments and field team are based and visible on site.

# **Communication during the audit :**

# The audit diligences must be based on a regular and efficient communication channel and frequency between the auditors with DKH/STL

The communication mode, lines, and frequency dates will be discussed during the kick off meetings and should be duly respected.

STL ‘s dedicated member staff shall be the first interlocutor for operational and logistical aspects and both parties should ensure the relevant priority and availability.

On the other hand, DKH should be consulted and informed regularly on the audit advancement, investigations, validations findings and challenges, and temporary and final conclusions. At the same time, DKH may contact and ask the auditors for any needed pro-active feedback.

# **Management Support during the audit**

DKH and its implementing partner STL will provide the external auditor with the following material and sources of verification:

* Project contracts between DKH/ECHO and DKH/STL
* Official project budget
* Financial project reports, including complete list reported expenditures
* PDF vouchers/receipts based on the sample testing selection
* Access to the different information systems
* Access to information related to bank and cash statements
* Any other documents required by the auditor for the performance of his/her tasks

The project managers, the accountants and the staff working on the project will be open to collaboration with the auditor based on a constructive and efficient communication frequence and channel.

# **Eligibility conditions for applicants**

* The auditor must be a registered audit company in Türkiye / a member of the International Federation of Accountants (IFAC).
* The financial audit of projects is to be carried out by an independent auditor having the required professional competence and experience, and in accordance with generally accepted international auditing standards (ISA)
* The Auditor who is performing the engagement is a member of a firm that is subject to ISQC 1, or other professional requirements, or requirements in law or regulation, regarding the firm’s responsibility for its system of quality control, that are at least as demanding as ISQC 1.
* The auditor must not have been involved in the operation’s accounting and must not be personally connected in any way with the organization being audited.
* Preferably, the auditor would know about DG ECHO / EU financial regulations and guidelines. If not, time or external resource should be allocated to research and read the relevant source of documentations. DKH will be able to support in guiding the auditors on that aspect.
1. **Qualifications and Application Process**

To participate in the tender process, offers must be submitted to the e-mail-address audit@diakonie-katastrophenhilfe.de by **7th March 2025** and consist of the following documents:

**The technical proposal** (maximum 10 pages) should include

* + - Confirmation of the enclosed conditions in terms of scope, standards, conflict of interest, timing of diligences and deadlines (June 2025 and final report by 7th of July 2025). **Any rejection or deviation from this ToR should be specified**.
		- **Audit Description** of planned audit implementation methodology and standards (i.e the estimated % testing coverage, main milestones, expected communication mechanisms) ; including the materiality
		- A **timetable** mentioning the starting and final dates and related meetings.
		- The **CVs of the team members**
		- **Financial offer** in Euro/TL with the breakdown in number of days and daily fee for the each team members *(see format below)*
		- List, date and of the **previous relevant auditing experiences** with STL’s organization and other similar organizations *(see format below)*
		- **International and National certification** number of the audit company



