**Terms of reference and instructions for the Auditors**

* 1. **Background**

Fondation Caritas Luxembourg (FCL) is a Luxemburgish legal entity represented in 5 countries by its own office which directly implements projects in the Country. Fondation Caritas Luxembourg receives funds from the Ministry of foreign Affairs and other donors, for which FCL is accountable and allocates these funds to countries requiring emergency aid as well as rehabilitation and development support through various projects. The objective for this financial audit is to examine the accuracy of FCL with the intent of verification and establishment of financial statements of the FCL’s representation Office in South Sudan for 2018.

The terms of reference are intended to define the objectives, the scope and methodology of this audit, as well as reporting requirements. The terms of reference may be revised or amended during the audit.

**Audit scope**

The audit work on the financial statements as at December 31, 2018 shall be conducted in accordance with International Standards on Auditing (“ISA”) such as issued by the International Federation of Accountants (“IFAC”).

The audit work shall cover the adequacy of accounting and financial operations, reporting and management as well as accounting procedures (referring to the national law, the international accounting standards, the Handbook of representation offices of Caritas Luxembourg, and the Ministry of Foreign Affairs and other donor’ requirements).

A verification of mathematical accuracy is expected, in order to ensure that the expenditures described in the supporting documentation are reconciled to the expenditures by disbursing sources, in the financial statements.

The audit period is from the 1st January to the 31st December of 2018, though the office has been opened in March 2018.

The audit will take place at the Caritas Luxembourg South Sudan office, in Torit, Torit State, South Sudan with, if necessary visit to one funded project.

A pre-audit shall be organized before closing of the accounting year 2018. An opinion regarding the overall financial situation of FCL representation Office in South Sudan for this same period is expected, in***local Currencies* and in Euro:**

1. Statement of all incomes and expenditures for the period from the 1st of January to the 31st of December 2018 (see list annex 1);
2. The Balance sheet as at the 31st of December2018;
3. Detailed annexes.
   1. **Objectives**

The **objectives** of this audit are to enable the Auditor to express an opinion by which the following risks are lowered to a minimum. These main risks identified are specified in the audit memorandum for reporting purposes, and hence should be considered during the audit of the offices.

1. the Financial information and reports (see list annex 1) accurately present, in all material respects, the actual expenditure incurred and the revenue received by the Office for the period from the 1st of January 2018 to the 31st of December 2018, in conformity with the applicable Contractual Conditions;
   * Effectiveness in the financial statements close process;
   * Consistence in the date of expenditure with the program period;
   * Correspondence of the period of the transfers of the head office to the concerned projects;
   * Completeness of the revenues generated by the project;
   * Correspondence of the bank balances to the accounting balances;
   * Application of the segregation of duties principle in term of authorization, execution and control;
2. The Project funds provided by the FCL and other donors have, in all material respects, been used in conformity with the applicable Contractual Conditions.
   * Correct and precise allocation of expenses between projects;
   * Correct classification or approved “compensation” between income and disbursements and between budgetary lines;
3. The legality and regularity of all incomes and expenditures have been respected i.e. compliance with laws and regulations and with applicable contractual rules as well as criteria.
   * Compliance of authorization procedures linked to disbursements;
   * Compliance of local regulations regarding VAT, other taxes and salaries;
   * Compliance of procurement procedures;
4. the incomes and expenses, assets and liabilities are adequately supported by original documentation and have been properly accounted for;
   * Correct and complete documentation of accounting entries;
   * Correct physical and accounting treatment of fixed assets, the inventory systems showing proof of existence;
   * Consistence of the method applied for the conversion of local currencies into Euro (foreign exchange gains and losses) is with standard accounting practices and the handbook;
5. the funds of the representation office have been used efficiently and economically i.e. in accordance with sound financial management;
   * Optimization in the management of the petty cash (bank accounts with interests);
   * Optimization of the IT system including salaries calculation;
   * Existence of systems ensuring that all submissions received are evaluated and that the market attribution decision is supported;
6. the funds have been used effectively i.e. for intended purposes;
   * Correct and precise correlation between disbursements and project objectives;
   * Monitoring of the progress of financed activities;
   * Verification of correctness of information received by the partners;
   * Efficiency in the cash management;
   1. **Deliverables**

**A report in English including at least the following**

* The audit opinion such as described in the audit scope under 1.2.

**The audit memorandum as attached including**

1. Audit method used and the scope of the audit.
2. Audit opinion such as described in the audit scope under 1.2.
3. Summary of findings, description and impact on ISA opinion.
4. Description of the main risks identified.
5. Details of procedures performed in the context of the audit based on the risks Identified as above.
6. A statement declaring that all information and documentation needed to complete the audit has been made available as required.
7. Declaration that the required audit standards have been applied.
8. Distribution and use of the audit report.
9. Formal opinion.
10. The period covered by the report.
11. Cash flow statement covering the project implementation period of 1st January 2018 to 31st December 2018.
12. Statement of receipts and expenditures covering the project implementation period;
13. Income table by source of funding
14. Confirmation of exchange rates used for book keeping and reporting;
15. The balance at the end of the implementation period;
16. Proposals for improvement.

**1.5 Deadlines**

The auditors shall provide the deliverables as mentioned above, not later than 2 weeks after the end of their field work and, at the latest on the 23rd of January 2019.

**1.6 Eligibility of the auditor**

By agreeing these ToR the Auditor confirms that he/she meets at least one of the following conditions:

* The Auditor and/or the firm is a member of a national accounting or auditing body or institution which in turn is member of the International Federation of Accountants (IFAC).
* The Auditor and/or the firm is a member of a national accounting or auditing body or institution. Although this organization is not member of the IFAC, the Auditor commits him/herself to undertake this engagement in accordance with the IFAC standards and ethics set out in these ToRs.
* The Auditor and/or the firm is registered as a statutory auditor in the public register of a public oversight body in a third country and this register is subject to principles of public oversight as set out in the legislation of the country concerned (this applies to auditors and audit firms based in a third country).

**Contacts:**

**François Nzabahimana**

Head of Mission ; South Soudan

Katire Road; Hai Mission Torit State

South Sudan

[Francois.nzabahimana@caritas.lu](mailto:Francois.nzabahimana@caritas.lu)

**Catherine André**

Coopération Internationale / Contrôle de gestion

29, rue Michel Welter

L-2730 Luxembourg

Tel. (+352) 40 21 31 515

Email : [catherine.andre@caritas.lu](mailto:catherine.andre@caritas.lu)

Torit South Sudan, 17 November 2018