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Diakonie 
Katastrophenhilfe

**TERMS OF REFERENCE (TOR) FOR PROJECT AUDIT FUNDED BY
DIAKONIE KATASTROPHENHILFE IMPLEMENTED IN MAGWI AND TWIC
EAST COUNTIES IN SOUTH SUDAN – PROJECT NO. K-SSD-2021-4079**

Organization	Lutheran World Federation
Project Title	Response to Complex Humanitarian Situation in Magwi and Twic East Counties in South Sudan
Project Budget	1,024,000 EUR
Project period	15 th November 2021 to 31 st December 2022
Period covered by the Audit	15 th November 2021 to 31 st December 2022
Assignment	Conduct Project Audit
Specific Assignment Location(s)	LWF Office Juba South Sudan
Reporting To:	Country Representative LWF South Sudan
Duration	30 days
Audit start date	17 th April 2023
Audit Report Submission	5 th May 2023

1.0 INTRODUCTION

LWF South Sudan Program with financial support from Diakonie Katastrophenhilfe is implementing a project that **responds to the complex humanitarian situation in Magwi and Twic East Counties in South Sudan**. The project aims to reach out to at least **5,300** Vulnerable Households through Multipurpose cash; 430 vulnerable households through conditional cash for shelter; **10** community-based protection networks and **150** women leaders through training; and **1400** women at risk through various GBV-related interventions. The project started on the 15th of November 2021 and will end on the 31st of December 2022. The total project budget is **EUR 1,024,000** fully funded by Diakonie Katastrophenhilfe

2.0 COMMISSIONING ORGANISATIONS/ OWNER'S TEAM

The Lutheran World Federation (LWF) as an implementing partner is an International NonGovernmental Organization with its headquarters in Geneva and represented by a Country office in South Sudan. The Country office is further developed into LWF's four sub-offices of Jonglei (since 2004), Maban (since 2012), Ajuong-Thok (Jamjang, since 2012); and Magwi (since 2019). The LWF South Sudan Program focuses on three programmatic areas, namely Livelihoods, Quality Services, and Protection and Social Cohesion. LWF South Sudan program generally targets the most vulnerable rights holders, including refugees, IDPs, returnees, refugee-hosting communities, and other at-risk local communities.

On the other hand, Diakonie Katastrophenhilfe (DKH) as the financial partner is the humanitarian assistance agency of the Protestant Agency for Diakonie and Development (EWDE). It forms part of the Protestant Churches in Germany with its headquarters in Berlin and is represented by its Country Office in South Sudan with support from the Regional Office for Eastern and Southern Africa in Nairobi. Diakonie Katastrophenhilfe provides humanitarian aid worldwide through partner organisations. As a donor to this project, DKH will review and approve crucial project parts such as planning and procurement; and will monitor the execution closely.

3.0 OBJECTIVE OF THE PROJECT AUDIT

This audit aims to obtain reasonable assurance that the project is managed in a manner to achieve project objectives.

- Donor contributions and Project expenditure are properly accounted for.
- Project expenditure were incurred in accordance with the cooperation agreement. The amount of expenditure is reasonable for the nature of the expense and are supported by adequate documentation; and
- The related project financial reports prepared by LWF for the period under review presents a fair view of the operation.

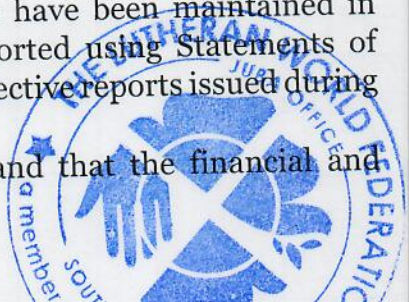
4.0 SCOPE OF THE AUDIT

The Auditor designs and carries out the audit in accordance with the objective and scope of this engagement and the procedures. The Auditor may apply techniques such as inquiry and analysis, (re)computation, comparison, other clerical accuracy checks, observation, inspection of records and documents, inspection of assets, obtaining confirmations or any others deemed necessary in carrying out these procedures.

The auditor obtains sufficient appropriate verification evidence from these procedures to be able to draw up a report of factual findings.

The audit of the project will include such tests and auditing procedures as the auditor will consider necessary under the circumstances. Special attention should be paid by the auditor as to whether:

- a) all applicable relevant) rules and regulations of Diakonie Katastrophenhilfe (DKH), and the contractual engagements have been adhered to. These include the:
 - Cooperation Agreement;
 - Administrative Procedures;
 - DKH Standards for reporting;
 - Approved budget (cost Plan);
- b) Funds have been provided and used in accordance with the relevant financing agreements and the relevant donor regulations with due attention to economy and efficiency, and only for the purposes for which they were provided;
- c) Goods, works and services financed have been procured in accordance with the relevant financing agreements, including specific provisions of the donor and their procurement Policies and Procedures;
- d) All necessary supporting documents, records, and accounts have been maintained in respect of all project activities, including expenditures reported using Statements of Expenditure (SOE). The auditor is expected to verify that respective reports issued during the period agree with the underlying books of account;
- e) National laws and regulations have been complied with, and that the financial and accounting procedures approved for the project



- f) Assets procured from project funds exist and there is verifiable ownership by the partner office.

In complying with International Standards on Auditing, the auditor is expected to pay particular attention to the following matters:

- a) **Fraud and Corruption:** Consider the risks of material misstatements in the financial statements due to fraud as required by ISA 240: The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements. The auditor is required to identify and assess these risks (of material misstatement of the financial statements) due to fraud, obtain sufficient appropriate audit evidence about the assessed risks; and respond appropriately to identified or suspected fraud;
- b) **Laws and Regulations:** In designing and performing audit procedures, evaluating and reporting the results, consider that noncompliance by the Partner abroad with laws and regulations may materially affect the financial statements as required by ISA 250: Consideration of Laws and Regulations in an Audit of Financial Statements;
- c) **Governance:** Communicate audit matters of governance interest arising from the audit of financial statements with those charged with governance of an entity as required by International Standards on Auditing 260: Communication of Audit Matters with those Charged with Governance;
- d) **Risks:** In order to reduce audit risk to an acceptable low level, determine the overall responses to assessed risks at the financial statement level, and design and perform further audit procedures to respond to assessed risks at the assertion level as required by Internal Standard on Auditing 330: the Auditor's Procedures in Response to Assessed Risks.

5.0 PROJECT FINANCIAL STATEMENTS (PFSs)

The auditor should verify that PFSs have been prepared in accordance with the international accounting standards and give a true and fair view of the financial position of the project at the relevant date and of resources and expenditures for the financial year ended on that date

The Project Financial Statements (PFSs) should include:

- a) A statement of funds received, showing funds received from the DKH Head Office in local and foreign currencies;
- b) A statement of Expenditures (SOEs);
- c) If relevant a Balance Sheet;
- d) A cash flow statement;
- e) A summary of the principal accounting policies that have been adopted, and other explanatory notes;
- f) A list of material assets acquired or procured to date with project funds.

As an Annex to the PFSs, the auditor should prepare a reconciliation of the amounts as "received by the Project", with those shown as being disbursed by the Bank (Balance on Hand).

6.0 STATEMENT OF EXPENDITURES (SOEs) / JOURNAL LISTING

- a) The appropriate exchange rates are used.
- b) The Exchange Rates Table includes the organization's calculation methods for exchange rates;

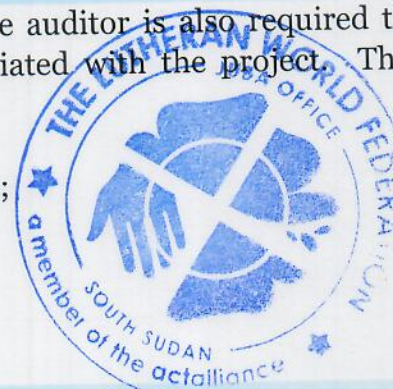


- c) The exchange rates in the Exchange Rates Table are the same as those used in the journal listing;
- d) The columns in the voucher lists are filled with all the necessary details required;
- e) In principle, all inspected documents have to be the original copies. Especially, proofs of payments are to be checked;
- f) The items registered as capital assets correspond to those recorded in the inventory listing;
- g) Examine, on a test basis, that there is supporting documentation related to reported expenditure. The size of the test shall be based on the auditor's risk analysis, which should be stated in the report. The auditor shall report the identified amount in case there is any missing supporting documentation;
- h) Follow up whether salary costs debited to the project correspond to the agreed percentages and are recorded throughout the duration of the year in a systemized way and examine whether the salary costs can be verified by sufficient supporting documentation;
- i) Examine partner compliance with rules and regulations with regard to applicable local taxes and social security fees;
- j) The total withdrawals under the SOE should be part of the overall reconciliation of Bank disbursements;
- k) The auditor should examine the eligibility of financial transactions during the period under examination and fund balances at the end of such a period;
- l) The adequacy of internal controls for this type of disbursement mechanism;
- m) The operation and use of the designated fund in accordance with the financing agreement;

7.0 DESIGNATED ACCOUNT

In conjunction with the audit of the Project PFSS, the auditor is also required to review the activities of the designated account associated with the project. The Designated Account usually comprises:

- a) Income received from DKH Head office;
- b) Interest that may have been earned on the accounts;
- c) Withdrawals related to project expenditures;
- d) Transfers from and to other projects
- e) Account balances at the end of such a period.



8.0 AUDIT REPORT

The auditor will issue an opinion on the project financial statements (PFSS). The annual audit report of the project accounts should include a separate paragraph highlighting key internal control weaknesses and non-compliance with the financing agreement terms.

The addressee of the audit report is the authorized representative of the project holder as well as the country representative of DKH.

The following documents have to be delivered by the auditors:

- Auditor's report/opinion including a compliance statement in respect of the DKH funds;

- Audited financial statement(s) of the project(s) under consideration (balance sheet, income and expenditure account of the project holder, receipt and payment account / cash flow statement of the project including opening and closing balances of funds and a plan-actual comparison / variance report with the approved budget);
- Management Letter (including comments on the implementation of previous year's recommendations and new recommendations);
- Notes to the accounts (if relevant in the given context of the project):
 - a) list of income/receipts according to origin/source;
 - b) foreign currency transactions (incl. examination of exchange transactions and used exchange rates);
 - c) list and explanations of debts / accounts receivable related to debtors, amount, reason and time of emergence;
 - d) list and explanation of liabilities related to creditors, amount, reason and time of emergence;
 - e) statement on assets, in particular evidence of new acquisitions and the compliance with the DKH approval, if applicable;
 - f) Unspent balance per audited project

9.0 MANAGEMENT LETTER

In addition to the audit report, the auditor will prepare, if the auditor deems it necessary, a management letter, in which the auditor will:

- a) Give comments and observations on the accounting records, systems and controls that were examined during the course of the audit;
- b) Identify specific deficiencies or areas of weakness in systems and controls, and make recommendations for their improvement;
- c) Report on the degree of compliance in the financing agreement and give comments, if any, on internal and external matters affecting such compliance;
- d) Communicate matters that have come to his/her attention during the audit which might have a significant impact on the implementation of the project;
- e) Comment on the utilization of funds within 3 months of receipt as required by the Donor.
- f) Bring to the recipient's attention any other matters that the auditor considers pertinent.

Ideally, the management letter should also include responses from the partner abroad to the issues highlighted by the auditor.

10.0 SUBMISSION

Please send your Profile of the audit partners, Technical and financial proposals detailing presumed significant risks, preliminary audit requirements, Audit process, Project audit plan and timelines as a single file to: consultancy.southsudan@lutheranworld.org

The deadline for expression of interest is on **11th April 2023**

