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| **TERMS OF REFERENCE FOR****AUDIT ON THE:*** **Financial Statement Help a Child South Sudan (HAC SSD) 2021**
* **Innovation Project “TeamUp Ready? Go!”**
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| Expected period of audit: | Team up: 15 June to 25 June 2022Financial Statement: 1 July to 10 July 2022 |

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# Introduction

The following are the terms of reference (‘ToR’) on which Help a Child agrees to engage the Auditor to perform an audit and to express ad auditor’s opinion on:

* The financial statement of Help a Child South Sudan (HAC SSD) 2021
* The financial statements Innovation Project “TeamUp Ready? Go!”

Help a Child is a Dutch Christian organization, whose head office is in Zwolle, Netherlands. Help a Child is a Christian organization dedicated to the fulfilling the promise of Jesus Christ in helping the poor and the vulnerable people in the society.

Help a Child South Sudan is part of an international non-governmental development organisation in the Netherlands (*in Dutch: ‘Red een Kind’*). The financial figures of Help a Child South Sudan and other country offices will be consolidated in the consolidated financial statements of Help a Child International (Red een Kind), with its registered office in the Netherlands. Help a Child South Sudan is one of the implementing partners in the South Sudan.

These ToR are annexed to Help a Child's request for preparation of a quotation of audit services and can serve as guideline for a final engagement for the selected Auditor. The ToR are prepared for the use of the Auditor and Help a Child and they must not be disclosed to others unless agreed specifically by Help a Child in writing.

In these ToR and in Annexes 1, 2 and 3 which form an integral part of these ToR the following terms apply:

* *'Audit' or 'engagement'* refers to this assurance engagement which is a financial audit on the annual accounts 2021 of Help a Child South Sudan and the financial statement of the grant Innovation Project “TeamUp Ready? Go!”
* '*Contract*' can refer to any conventional or contractual document (legal commitment) signed between Help a Child/Help a Child and the contracted entity. The Annexes of a contract also form part of a Contract.
* *'Financial Report'* refers to the Financial Statements prepared by either Help a Child or the Auditors.
* The Financial Report of Innovation Project “TeamUp Ready? Go!” presents the actual expenditure incurred and revenue received for the Project for a specified period. This expenditure and revenue are the subject of this audit.
* *'Auditor'* refers to the audit firm contracted for performing this audit and for submitting a report to Help a Child. 'Auditor' can refer to the person or persons conducting the audit, usually the engagement partner or other members of the engagement team. The engagement partner is the partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who has the appropriate authority from a professional, legal or regulatory body.
* *Audit Task Manager*' ('ATM') refers to Help a Child official who is responsible for managing the audit and who is the Auditor's primary contact point.

# Objectives

The general objective is first a financial project audit on the “TeamUp Ready? Go!” project and second a financial audit to examine the accuracy of Help a Child South Sudan with the intent of verification and establishment of financial statements of the Help a Child South Sudan’s representation Office in South Sudan for 2021.

## Objectives Innovation Project “TeamUp Ready? Go!”

The DRA (Dutch Relief Alliance) operates at a global level through an alliance of Dutch humanitarian organisations and in partnership with the Netherlands Ministry of Foreign Affairs since 2015. The project “TeamUp Ready? Go!” is one of the many projects funded by the DRA[[1]](#footnote-1). The DRA requires an audit for this project in line with the DRA Joint Response Audit Protocol of July 2017. The organization named “Save the Children” have the lead of the Innovation Project “TeamUp Ready? Go!” and the partners are War Child Holland, Help a Child, SOS Children’s Villages Italy.

The audit of the financial report of “TeamUp Ready? Go!” of HAC SSD will take place at the Help a Child Office in Juba South Sudan. However, there may be a need for field verifications of the transactions in Wau and Pibor field locations.

The audit must be carried out in accordance with generally accepted auditing standards and in particular the auditing standards (Dutch- or International Standards on Auditing; ISAs) of the International Auditing and Assurance Standards Board (IAASB), see chapter 5 of this protocol.

The auditor must establish that the financial statements meet the requirements laid down in section 2 of this protocol. The auditor will ascertain that:

1. expenditures and receipts are accurate and complete;
2. expenditures and receipts relate to the activities referred to the “TeamUp Ready? Go!” project;
3. expenditures are legitimate and comply with the criteria laid down in points a. to e.
The auditor must establish that:
	1. expenditures are corroborated by supporting documents;
	2. the organization keeps project records and documentation with argumentation for linking (staff) costs to the project (such as timesheets). The information in the project records and other documentation agrees with the information in the financial administration;
	3. the procurement procedures comply with the Principles and Procedures applicable to
	 Procurement Contracts awarded within the framework of Humanitarian Aid Actions financed by the European Union, as laid down in Annex III of the Framework Partnership Agreement (FPA) between the organization and ECHO;
	4. tax and social insurance remittances have been made in accordance with the tax laws of the country where the organization is established and for the period to which the audit opinion relates
	5. invoices are settled on the basis of actual costs or lump sum amounts set in accordance with the organization’s internal policies.

The individual consortium partners, including the lead party, supply the following documents to the lead party:

* the financial report of the consortium partners (including the lead party for their part of the expenditure)
* the ISA 800/805 report for the financial report of the consortium partners
* an audit report (exemption report - in accordance with the text of annex 3 of this protocol)

## Statutory statements of Help a Child Sudan

The objectives related to the statutory statements of Help a Child South Sudan are:

1. Whether proper books of account have been kept by the organization;
2. Whether the Balance Sheet and the Income & Expenditure Account and the notes thereto are in agreement with the books of account;
3. Whether all the information and explanations haven been obtained that to the best of the knowledge and belief of the Auditor are considered necessary for the purposes of the audit.

# Standards and Guidance

The Auditor who performs this audit is governed by:

* The IFAC *International Framework for Assurance Engagements*
* The IFAC *International Standards on Auditing* ('ISAs') ;
* TheIFAC *Code of Ethics for Professional Accountants (*issued by IFAC's *International Ethics Standards Board for Accountants (IESBA)*, which establishes fundamental ethical principles for Auditors with regard to integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards;
* The IFAC *International Standards on Quality Control* (ISQCs), which establish standards and provide guidance on an Auditor's system of quality control.
* The audit must be carried out in accordance with generally accepted auditing standards
* and in particular the auditing standards (Dutch- or International Standards on Auditing;
* ISAs) of the International Auditing and Assurance Standards Board (IAASB), see chapter
* 2 of this protocol

We expect that the Auditor will verify whether the financial statements comply in all material respects with International Financial Reporting Standards.

# Requirements for the Auditor

## General Principles

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).

# Scope DRA Joint Response (“TeamUp Ready? Go!”)

## Introduction

This chapter describes the audit activities concerning the financial statement of each consortium partner to the Joint Response. The activities described in section 5.3 result in an audit opinion on the financial statement, drawn up in accordance with auditing ISA 800/805 and a report in accordance with the text of annex 3 of this protocol.

## Audit objective and scope

The auditor must establish that the transactions as accounted for in the financial statement comply with the framework ***Decision on the award of the Joint Response Specific Grant.*** The audit must be carried out in accordance with the requirements laid down in this Audit Protocol and with the relevant auditing standards.
The audit subject is the consortium partners’ financial statement for the year under review including processes and administrations relevant for the Joint Response.

## Audit approach in respect of the financial statement (ISA 800/805)

The audit must be performed in accordance with the law of the country of statutory residence of the lead party and applicable audit standards. The minimum reliability level for audit purposes is 95%. Materiality is determined as follows for the purpose of drawing up the audit opinion:




Materiality must be based on total expenditure of the financial statement.

As part of the audit, the auditor examines explicitly whether the financial report meets the requirements mentioned in chapter 2.1 (step 1, bullet 3, a-e).

The audit opinion must be drawn up in accordance with the sample text provided in section 5.5 of this Audit Protocol or based on a more recent sample text.

The audit opinion will be accompanied by a separate written report in accordance with annex 3 of this audit protocol. This is an exemption report and findings reported do not necessarily have consequences for the audit opinion, unless the auditor deems the findings of material relevance for the financial Joint Response report.

If the auditor has, in the scope of the audit, taken into account the set-up and functioning of the administrative organisation and internal control and more specifically:

a) authorisation of payments
b) attribution of direct and indirect programme costs
c) compliance with procurement procedures as laid down in the framework of Humanitarian Aid Actions financed by the European Union, ECHO
d) adequate administrative processes to comply with the applicable legal framework for reporting,

he/she will take up the findings in this separate written report.

The auditor must request a letter of representation (LoR) from the grant recipient’s auditor must request a letter of representation (LoR) from the grant recipient’s management stating that, to the best of their knowledge, the financial statement encompasses all transactions and receipts, is accurate and complete in every respect and that all grant conditions, including those beyond the scope of the audit, have been met.In the letter of representation, management must specifically confirm that they have complied with article of the grant decision, which states: ‘You may not offer to or accept from third parties anything of any kind whatsoever, if this could be interpreted as an illegal or corrupt practice. Such practices may provide grounds for the withdrawal of this decision or part thereof.’ If the consortium partner’s management refuses to include this statement in the letter of representation and/or refuses to issue a letter of representation, the auditor will make a note to this effect in their report of findings according to article 5.1 in accordance with the text in annex 3 in accordance with ISA 580.

## Audit report on the financial statement of consortium partners

### Audit opinion on the financial report Joint Response (ISA 800/805)

The audit opinion must in any event include the aim and scope of the audit, the audit criteria applied, where relevant, and the audit opinion.

An unqualified auditor’s report must be worded as follows or in accordance with a more recent model text as published on the IAASB website:

***Engagement***
We have audited the financial statement under the grant agreement Joint Response dated XX-XX-20XX of [name of entity] at ... [registered office] for the year .... .

***Management responsibility***

The financial statement, drawn up in accordance with the conditions in the grant agreement of XX-XX-20XX is the responsibility of the management of the entity (or other applicable name eg the board of the foundation etc). The management is also responsible for such internal control as it deems necessary for the financial statement to be drawn up without material misstatement as a result of fraud or error.

***Auditor responsibility***

It is our responsibility to issue an opinion on the financial statement, based on our audit. We conducted our audit in accordance with …. law and auditing standards, and with the Joint Response Audit Protocol, specifically article 2.2 and 2.3. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain information on the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The activities depend on the auditor's approach, which includes assessing the risk of the financial statement containing material misstatement as a result of fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the organisation’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organisation’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the Joint Response financial statement of (entity) over [year] has been drawn up in all material aspects in accordance with the conditions of the grant agreement for Joint Response xx of XX-XX-20XX

***Restrictions on use and distribution***The financial statement has been drawn up for [name of lead party] and the Ministry of Foreign Affairs, so that [name of entity and name of lead party] can fulfil the reporting obligations pertaining to their Joint Response grant. As a consequence, the financial statement may not be suited to other purposes. Our audit opinion has been drawn up solely for the use of [name of entity and name of lead party] and the Ministry of Foreign Affairs and must not be distributed to or used by any other parties.

... [place], ... [date]

... [signature]

... [auditor’s name]

... [name of audit firm]

# Scope Statutory financial statements

The audit period is from the 1st January to the 31st December of 2021.

The audit will be performed at the Help a Child Office in Juba, South Sudan, if needed or applicable at field verifications of the transactions in Wau and Pibor field locations.The Auditor should confirm the location(s) for the audit with the Organisation prior to the start of the audit fieldwork and ensure that relevant supporting documents as well as key staff will be available during the audit.

The Auditor should obtain a preliminary understanding of the **engagement context** based on Annex 1 of these ToR. This annex may contain key information including the reason for the audit, logistics, the organisation, other information, contact details and key documents.

The Auditor should exercise due professional care and judgment and determine the nature, timing and extent of audit procedures to fit the objectives, scope and context of the audit.

### *Detection of fraud, error, and non-compliance with laws and regulations*

Management of Help a Child South Sudan is responsible for the safeguarding the assets of the organization, maintenance of adequate internal controls, and the prevention and detection of fraud, error and non-compliance with law or regulations. We expect you to design your audit to obtain reasonable, but not absolute, assurance of detecting material misstatements or accounting records (including any material misstatements resulting from fraud, error or non-compliance with law or regulations).

We recognize that there are inherent limitations in the auditing process. Audits are based on the concept of selective testing of data underlying the financial statements, which involves judgement regarding the areas to be tested, and the nature, timing, extent and results of the tests to be performed. Audits are, therefore, subject to the inherent limitation that material errors, fraud, or illegal acts having a direct and material financial impact, if they exist, may not be detected.

### *Responsibility for identifying and reporting internal controls weaknesses*

An audit is not designed to identify all significant weaknesses in the organization’s system of internal financial controls. Your review of internal financial control systems is performed only to the extent required to express an opinion on our financial statements. However, we expect the Auditor to report to the management in writing any significant weaknesses in the internal control over financial reporting which come to the notice during the course of the normal audit work.

In case the Auditor does encounter signals of fraud during the audit Help a Child International also will need to be informed immediately (CEO: Andries.schuttinga@redeenkind.nl We also refer to the ‘Help a Child Anti-Fraud and corruption policy enclosed in Annex 2B.

***Audit Documentation and Evidence***

The Auditor should in accordance with ISAs, prepare audit documentation and obtain sufficient appropriate audit evidence to support audit findings and to draw reasonable conclusions on which to base the audit opinion. The Auditor uses professional judgment to determine whether audit evidence is sufficient and appropriate taking into account the Contractual Conditions (see Annex 2, point 2.1).

***Planning and Fieldwork***

***Procedures for the planning and fieldwork of the financial and systems audit***

The Auditor should obtain a sufficient understanding of the engagement context including the Organisation, local laws and regulations which apply. The Auditor should pay specific attention to the Contractual Conditions for:

* + Documentation, filing and record keeping for Project expenditure and income;
	+ **Eligibility** of Project expenditure and income;
	+ **Procurement** and **origin** rules insofar these conditions are relevant to determine the eligibility of Project expenditure;
	+ The controls (see further below).

The Auditor should identify controls which are relevant and appropriate to the Organisation and to the preparation of the Organisation's Financial Statements.

***Complementary letter***

The Auditor may at any time during the audit process draw up a complementary letter if he/she considers that Help a Child should be informed about facts and issues that are or may be urgent or of particular interest and importance to Help a Child South-Sudan. This letter should also include description of the main risks identified.

***Reporting***

***Language***

The report should be presented in English. A management letter should also be written in English, which can be provided along with the Financial Statements and Auditors Report.

***Currency***

The report should be presented in USD.

***Audit Opinion***

Audit opinions can be unqualified, qualified, adverse or a disclaimer of opinion and should be formulated in accordance with the formats for the Independent Auditor's Report for a Financial Audit.

***Date of the Audit Report***

The date of the final audit report will be 25th of June 2022 for Team up and 10th of July for Annual report

***Procedures and timetable for the submission of draft and final audit reports***

The Auditor should respect the procedures and timetable, which has been, agreed upon with Help a Child South Sudan.

***Debriefing meeting with Help a Child***

Help a Child foresees a (virtual) meeting with the Auditor after receipt of the draft audit report This meeting will be planned after consultation with the Audit Task Manager.

# Other Matters

***Child Protection Policy***

Help a Child has a Child Protection Policy. This Policy states that also consultants (including auditors) hired by Help a Child need to read and be aware of the child protection policy and all audit-team members involved in the audit will need to confirm this by signing a statement included in the Annex 2b)

# Annexes

Annex 1 ***Engagement Context –*** *information on the organisation (please also visit* [*www.helpachild.org*](http://www.helpachild.org) *for more information)*

Annex 2 ***Relevant Red een Kind / Help a Child policies:***

1. Finance Manual (this serves a minimum guideline, but may be adopted with stricter rules per local context)
2. Anti-Fraud and Corruption Policy
3. Procurement policy
4. Child Protection Policy

Annex 3 ***Template separate written report DRA***

***Annex 4 Total audit protocol DRA for information***

# Contacts:

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1. <https://dutchrelief.org/teamup-ready-go/> [↑](#footnote-ref-1)