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### **1.0. Terms of reference**

The following are the terms of reference (ToR) on which <Cordaid South Sudan> ‘the Beneficiary’ agrees to engage < **name of the audit firm**> ‘the Auditor’ to perform a financial expenditure verification audit and to report in connection with the JFP-MoFA financed Grant contract concerning < Just Future Project 200902 of the grant contract> (the ‘MoFA’). ‘Contracting Authority’ refers to < Dutch Ministry of Foreign Affairs (MoFA)> which has signed the Grant Contract with the Beneficiary and is providing the grant funding. The Contracting Authority is not a party to this engagement.

### **2.0. Background**

Just Future is a 5-year program led by the Alliance of International, Local NGOs and civil society organizations. The program aims to establish an inclusive partnership of international and local civil society organizations that enables our constituencies (women, youth, IDPs, and other vulnerable groups) to advocate for their demands, Improve accessibility, responsiveness, and accountability of security and justice institutions, and inclusive political decision-making and peace processes achieved, by mobilizing civil society for collective action and advocacy that contributes to acceleration and localization of SDG16+ in 6 fragile countries.

The project is a Strategic Partnership with the Dutch Ministry of Foreign Affairs (MoFA) in The Netherlands, as part of the Power of Voices fund under the policy framework Strengthening Civil Society. The project is implemented by the JF alliance of 6 consortium partners, 3 research partners, and 1 network partner in collaboration with the MoFA and the Dutch missions in the six program countries.

The nature of this program involves coordination, collaboration, and teamwork as it’s being implemented in a consortium of partners. Therefore, Cordaid South Sudan under the Just

Future (JF) project is seeking a qualified audit firm to execute an audit exercise for the financial period ending 31<sup>st</sup> December 2023.

### **3.0.Responsibilities of the Parties to the Engagement**

The Beneficiary refers to the organization that is receiving the grant and that has signed the Grant Contract with the Contracting Authority.

- The Beneficiary is responsible for providing a Financial Report for the Project financed by the Grant Contract and for ensuring that this Financial Report can be reconciled with the Beneficiary's accounting and bookkeeping system and to the underlying accounts and records.
- The Beneficiary accepts that the ability of the Auditor to perform the procedures required by this engagement effectively depends upon the Beneficiary, and their **partners**, providing full and free access to the Beneficiary's staff and its accounting and other records, including all relevant contract documentation and communications.
- 'The Auditor' refers to the Auditor who is responsible for following the agreed-upon procedures as specified in these **ToR**, and for submitting a report of factual findings to the Beneficiary.
  - a) *[Option 1: delete if not applicable]* The Auditor is a member of *<specify the name of the national accounting or auditing body or institution of which the Auditor is a member>* which in turn is a member of the International Federation of Accountants (IFAC).
  - b) *[Option 2: delete if not applicable]* The Auditor is a member of *<specify the name of the national accounting or auditing body or institution of which the auditor is a member>*. Although this organization is not a member of the IFAC, the Auditor commits him/herself to undertake this engagement following applicable IFAC standards and ethics.

### **4.0.Subject of the Engagement**

The subject of this engagement is the '*Financial Report*' in connection with the Grant Contract for the period covering *<1<sup>st</sup> January to 31<sup>st</sup> December 2023>*.

The information, both financial and non-financial, which is subject to verification by the Auditor, is all information which makes it possible to.

- a) verify that the expenditure, as claimed by the Beneficiary in the Financial Report, has occurred, is accurate and eligible, and
- b) Review the internal control procedures maintained and report on any deficiencies identified.
- c) Expenses have been incurred during the eligibility period and have been duly authorized, under the contractual basis of the Programme.

**Annex 1** to this ToR contains an overview of key information about the Grant Contract and the Project concerned.

Reference 1 of the Expenditure Verification Report contains a summary of the Grant contract and project.

### **5.0.Reason for the Engagement**

The Beneficiary is required to submit to the Contracting Authority an alert and convene a meeting with the **JF team** (Contracting Authority) in case the auditing firm detects an indication of material misuse of funds after the 12 months' verification of eligibility of expenditure. As well the auditor shall advise the Contracting Authority if there is an indication of misuse of funds at the earliest opportunity to deter future shocks. The contracted external auditor will have to produce enough written evidence of the indication of misused funds.

- a) A draft management letter must be submitted by 15/03/2024.
- b) Final expenditure verification report, including a management letter produced by an external auditor in support of the payment requested by the Beneficiary is at all times required by 31/03/2024.

## **6.0.Engagement Type and Objective**

This constitutes an engagement to perform specific agreed-upon procedures regarding an expenditure audit of a MoFA-financed grant contract. The objective of this expenditure verification is for the Auditor to verify that the expenditure claimed by the Beneficiary in the Financial Report for the Project financed by the Grant Contract has occurred (**'reality'**), is accurate (**'exact'**), and eligible and to submit to the Beneficiary a report of factual findings regarding the agreed-upon procedures performed. Eligibility means that the funds provided by the grant have been spent under the terms and conditions of the Grant Contract.

As this engagement is not an assurance engagement the Auditor does not provide an opinion and expresses no assurance. The Contracting Authority derives its assurance by drawing its conclusions from the factual findings reported by the Auditor in the Financial Report and the payment request of the Beneficiary relating thereto.

## **7.0.Scope of Work**

- a) The Auditor shall undertake this engagement per this ToR.
  - Under the International Standard on Related Services (**'ISRS'**) **4400** Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the **IFAC**.
  - Compliance with the Code of Ethics for Professional Accountants issued by the **IFAC**. Although **ISRS 4400** provides that independence is not a requirement for agreed-upon procedures engagements, the Contracting Authority requires that the auditor also comply with the independence requirements of the Code of Ethics for Professional Accountants.
- b) Terms and Conditions of the Grant Contract
  - The Auditor verifies that the funds provided by the grant were spent per the terms and conditions of the Grant Contract.
- c) Planning, procedures, documentation, and evidence.
  - The Auditor should plan the work so that effective expenditure verification can be performed. The verification will be conducted in one go.
  - A draft management letter of all Beneficiaries' programs is submitted by 15/03/2024.



- For this purpose, the Auditor follows the procedures specified in Annex 1 of this ToR and uses evidence obtained from these procedures as the basis for the report of factual findings and the management letter.
- The Auditor should document matters which are important in providing evidence to support the report of factual findings, and evidence that the work was conducted per ISRS 4400 and this ToR.

## **8.0.Reporting**

The interim as well as the final expenditure verification report should describe the purpose and the agreed-upon procedures of the engagement in sufficient detail to enable the Beneficiary and the Contracting Authority to understand the nature and extent of the procedures performed by the Auditor.

The interim expenditure verification report should include a management letter that details the weaknesses in the administrative organization, the response of the management, and the recommendations of the auditor.

In case of irregularities detected, the auditor will produce a written document with enough evidence and or details of weaknesses in the administrative organization adequately accompanied by the auditor's recommendation and management response of the beneficiary.

## **9.0.Other Terms**

The Beneficiary and the Auditor can use this section to agree with other specific terms such as the Auditor's fees, out-of-pocket expenses, and liability provisions.

### **a) Annex 1. Scope of Work**

#### **ANNEX 1 Scope of Work and Procedures to be performed.**

Obtaining a sufficient understanding of the project and the Terms and Conditions of the Grant Contract.

The Auditor designs and conducts this verification per the objective and scope of this engagement and the procedures to be followed as specified below. When following these 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, and obtaining confirmations.

The Auditor obtains sufficient appropriate verification evidence from these procedures to be able to draw up a report of factual findings. For this purpose, the Auditor can refer to the guidance provided by the International Standard on Auditing and the paragraphs relating to 'sufficient appropriate Financial Expenditure Verification evidence' (**ISA-500**) and 'internal control' (**ISA-315**). The Auditor exercises professional judgment as to what is sufficient, appropriate verification evidence where he/she believes that the guidance provided by **ISA 500**, the terms and conditions of the Grant Contract, and the ToR for this engagement are not sufficient.

#### ***1. Obtaining a sufficient Understanding of the Project and of the Terms and Conditions of the Grant Contract.***

The Auditor obtains a sufficient understanding of the terms and conditions of the Grant Contract by reviewing the Grant Contract and its annexes and other relevant information and by inquiry of the Beneficiary. The Auditor obtains a copy of the original Grant Contract (signed by the Beneficiary and the Contracting Authority) with its annexes. The Auditor obtains and reviews copies of the < interim/final> Narrative Report. The Auditor pays particular attention to **Annex I** of the Grant Contract, which contains the Description of the Project.

**2. *Procedures to verify the Eligibility of Expenditure Claimed by the Beneficiary in the Financial Report for the Project.***

- a) General Procedures
- b) The Auditor verifies that the Financial Report complies with the conditions of the Grant Contract.
- c) The Auditor examines whether the Beneficiary has complied with the rules for accounting and record keeping of the Grant Contract.

***The purpose of this is to;***

- a) Assess whether expenditures reported in the financial report are feasible and report through a management letter important exceptions and weaknesses regarding accounting, record keeping, and documentation requirements so that the Beneficiary can undertake follow-up measures for correction and improvement.
- b) The Auditor reconciles the information in the Financial Report to the Beneficiary's accounting system and records (e.g., trial balance, general ledger accounts, sub-ledgers, etc.).
- c) The Auditor verifies that the correct exchange rates have been applied for currency conversions where applicable and under the conditions of the Grant Contract.

**3. *Conformity of Expenditure with the Budget and Analytical Review***

- a) The Auditor conducts an analytical review of the expenditure headings in the Financial Report and verifies that.
  - The budget in the Financial Report corresponds with the Budget of the Grant Contract (authenticity and authorization of the initial Budget) and that expenditure incurred was foreseen in the budget of the Grant Contract.
  - The total amount claimed for payment by the Beneficiary does not exceed the maximum grant laid down in the Grant Contract.
  - Amendments to the Budget of the Grant Contract comply with the conditions for such amendments (including where applicable the requirement for an addendum to the Grant Contract).

**4. *Selecting Expenditure for Verification***

Expenditure Headings, Subheadings, and Items. The expenditure claimed by the Beneficiary in the Financial Report is presented under the following budget headings.

- I. Direct staff costs
- II. Other direct program costs
- Cost of equipment

- III. Overheads / indirect costs
- Any other direct costs (financial service costs, transport, evaluations, etc)

Expenditure headings can be broken down into expenditure subheadings such as 1.1 Salaries. Expenditure subheadings can be broken down into individual expenditure items or classes of expenditure items with the same or similar characteristics. Supporting evidence (e.g., a payment, a contract, an invoice, etc) and the way expenditure is recorded. In all cases, expenditure items reflect the accounting (or financial) value of underlying actions or transactions no matter the type and nature of the action or transaction concerned.

### ***5. Selecting Expenditure Items***

The value should be the primary factor used by the Auditor to select expenditure items or classes of expenditure items for verification. The Auditor selects high-value expenditure items to ensure appropriate coverage of expenditure to obtain adequate ground for a consideration of the eligibility of the total expenditure and the quality and the working of the internal control measures.

The selection of specific expenditure items or classes of expenditure items is based on the Auditor's judgement. The Auditor may use factors such as particular knowledge of the Project and the characteristics of the expenditure categories, classes, and items being verified such as expenditure items that are unusual or inherently risky or error prone.

### ***6. Eligibility of Direct Costs***

The Auditor verifies the eligibility of direct costs with the terms and conditions of the Grant Contract. S/he verifies that these costs.

- are necessary for carrying out the Project. In other words, the Auditor verifies that expenditure for a transaction or action has been incurred for the intended purpose of the Project and that it has been necessary for the activities and objectives of the Project. The Auditor further verifies that the direct costs are provided for in the Grant Contract Budget and comply with the principles of sound financial management, in particular value for money and cost-effectiveness.
- have been incurred by the Beneficiary or his partners during the implementation period of the Project.
- are recorded in the accounts of the Beneficiary and are identifiable, verifiable, and substantiated by originals of supporting evidence.
- The Auditor also considers non-eligible costs.

### ***7. Accuracy and Recording***

The Auditor verifies that expenditure for a transaction or action has been accurately and properly recorded in the Beneficiary's accounting system and the Financial Report and that it is supported by appropriate evidence and supporting documents. This includes the proper valuation and the use of correct exchange rates.

### ***8. Classification***



The Auditor verifies that expenditure for a transaction or action has been classified under the correct heading and subheading of the Financial Report.

### **9. *Reality (occurrence/existence)***

The Auditor exercises professional judgment to obtain sufficient appropriate verification evidence as to whether the expenditure has occurred (reality and quality of the expenditure) and - where applicable - assets exist. The Auditor verifies the reality and quality of the expenditure for a transaction or action by examining proof of work done, goods received, or services rendered on a timely basis, at acceptable and agreed quality, and reasonable prices or costs.

### **10. *Administrative (indirect) costs***

The Auditor verifies that the administrative (indirect) costs do not exceed a maximum of **5%** of the total direct eligible costs of the Project.

### **11. *Verification Coverage of Expenditure***

The Auditor applies the principles and criteria set out below when planning and performing the procedures for expenditure verification of the Sections above. This allows the Auditor to rationalize his/her verification work.

Verification by the Auditor and verification coverage of expenditure items does not necessarily mean a complete and exhaustive verification of all the expenditure items that are included in a specific expenditure heading or subheading. The Auditor should ensure a systematic and representative verification but depending on certain conditions (see further below) the Auditor may obtain satisfactory verification results for an expenditure heading or subheading by looking at a limited number of selected expenditure items.

The Auditor may apply statistical sampling techniques for the verification of one or more expenditure headings or subheadings of the Financial Report. For this purpose, the Auditor examines whether the 'populations' (e.g., expenditure subheading or classes of expenditure items within an expenditure subheading) are suitable and sufficiently large (e.g., they should be made up of many items) for effective statistical sampling. This enables the Auditor to obtain and evaluate verification evidence to form a conclusion on the total of the population from which the sample is drawn. The Auditor may refer to **IFAC** International Standard on Auditing **530** 'Financial Expenditure Verification sampling and other selective testing procedures' for guidance.

### **12. *Expenditure Coverage Ratio (ECR)***

The Expenditure Coverage Ratio is the amount of expenditure selected (for verification) by the Auditor expressed as a percentage of the amount of expenditure recorded by the Beneficiary in the Financial Report.

If the exception rate is 10% or less of the amount of expenditure verified, the Auditor completes the verification and continues with reporting. If the exception rate is above 10% the Auditor extends verification procedures until the ECR is at least 85% and at the discretion of the Auditor. The Auditor then completes verification and continues with reporting regardless of the exception rate. The Auditor ensures that the ECR for each expenditure heading and subheading in the Financial Report is at least 10%.

### ***13. Procedures to verify the working and quality of internal control.***

With this engagement, the Auditor will provide a Financial Expenditure Verification opinion. However, a basic check on the quality of the administrative organization and procedural check can be combined with the verification process which may be readily available for relevant findings and weaknesses which will be reported in the management letter. The auditor will specifically, but not exclusively.

- Assess adequate segregation of duties between approval, authorization, and payment.
- Check that expenses are signed following the formal authorization level.
- Verify that for the grant contract separate financial accounts are maintained in the administration, which register exclusively all financial transactions that relate to the grant contract.
- Verify that each transaction has a unique sequence number which allows easy access to the original supporting vouchers (i.e., 3rd party's invoices, Receipts, Goods receipt notes, Tendering documents, Payroll records, etc).
- Verify that the original vouchers are marked with the sequence number and with all relevant information such as classification code, initials for approval and receipt of payment, payment date, etc.
- Verify that cash and bank balances are reconciled monthly, quarterly, and yearly.
- Verify the working of a fixed assets register and assess that assets procured under the grant contract are included.

#### **b) Annex 2**

##### **Cover notes of the report**

**(To be printed on letterhead paper of the Auditor)**

**SUBJECT: REPORT OF FACTUAL FINDINGS FOR AN EXPENDITURE  
AUDIT OF A JF MoFA FUNDED GRANT CONTRACT**

<Name of contact person(s)>,

< Position>

< Beneficiary's name>

<Address>

<dd Month yyyy>

Dear <Name of contact person(s)>

SUBJECT: REPORT OF FACTUAL FINDINGS FOR AN EXPENDITURE  
VERIFICATION OF A JF MoFA FUNDED GRANT CONTRACT

Following our contract dated <dd Month yyyy> with <name of the Beneficiary> “the Beneficiary” and the terms of reference attached thereto (Annex 1 of this report), we provide our Report of Factual Findings (“the Report”), concerning the accompanying Financial Report you provided for the period covering <dd Month yyyy - dd Month yyyy> (Annex 2 of the Report). You requested certain procedures to be carried out in connection



with the Grant Contract concerning [title and number of the contract], the 'Grant Contract'. The Report consists of this letter and the Report details set out in .....

## **Objective**

Our engagement was an engagement to perform agreed-upon procedures regarding the expenditure verification of the grant contract between you and < .....> the 'Contracting Authority'. It involved performing certain specified procedures, the results of which the Contracting Authority uses to conclude the procedures performed by us.

The objective of this expenditure verification is for the Auditor to verify that the expenditure claimed by the Beneficiary in the Financial Report for the Project financed by the Grant Contract has occurred ('reality'), is accurate ('exact'), and eligible and to submit to the Beneficiary the Report about the agreed-upon procedures performed. Eligibility means that the funds provided by the grant were spent per the terms and conditions of the Grant Contract.

## **Scope of Work**

Our engagement was undertaken under.

- the terms of reference in Annex 1 to this Report and
- International Standard on Related Services ('ISRS') 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the International Federation of Accountants ('IFAC);
- the Code of Ethics for Professional Accountants issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Contracting Authority requires that the auditor also comply with the independence requirements of the Code of Ethics for Professional Accountants.

As requested, we have only performed the procedures set out in the terms of reference for this engagement and we have reported our factual findings on those procedures in ..... of this Report.

The scope of these agreed-upon procedures has been determined solely by the Contracting Authority and the procedures were performed solely to assist the Contracting Authority in evaluating whether the expenditure claimed by the Beneficiary in the accompanying Financial Report has occurred ('reality'), is accurate ('exact') and eligible.

Because the procedures performed by us did not constitute either a Financial Expenditure Verification or a review made under International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the accompanying Financial Report.

Had we performed additional procedures, or had we performed a Financial Expenditure Verification or review of the financial statements of the Beneficiary per International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

## **Sources of Information**

The Report sets out information provided to us by the management of the Beneficiary in response to specific questions or as obtained and extracted from the Beneficiary's information and accounting systems. In addition, we received verbal representations from the Beneficiary's management which we did not obtain in writing *[delete if received in written form.]*

### **Factual Findings**

The total expenditure which is the subject of this expenditure verification amounts to < £ xxxxxx >.

The Expenditure Coverage Ratio is <xx%>. This ratio represents the total amount of expenditure verified by us expressed as a percentage of the total expenditure that has been subject to this expenditure verification. The latter amount is equal to the total amount of expenditure reported by the Beneficiary in the Financial Report and claimed by the Beneficiary for deduction from the total sum of prefinancing under the Grant Contract as per the beneficiary's Request for Payment of <dd Month yyyy>.

Based on the agreed-upon procedures that we performed we found that expenditure amounting to £ <xxxxxx> is not eligible. The details of our factual findings including a summary table of the expenditure that is not eligible are presented in ..... of this Report.

### **Use of this Report**

This Report is solely for the purpose outlined in the above objective.

This report is prepared solely for the confidential use of the Beneficiary and the Contracting Authority and solely for submission to the Contracting Authority in connection with the requirements as set out in the Grant Contract. This report may not be relied upon by the Beneficiary or by the Contracting Authority for any other purpose, nor may it be distributed to any other parties. The Contracting Authority may only disclose this Report to others who have regulatory rights of access to it in particular the Dutch MoFA in the Netherlands.

This Report relates only to the Financial Report specified above and does not extend to any financial statements of the Beneficiary.

We look forward to discussing our Report with you and would be pleased to provide any further information or assistance that may be required.

Yours sincerely,

<Name and signature of the Auditor>

- 1) **Reference 1.** Obtaining a sufficient Understanding of the Project and of the terms and conditions of the Grant Contract.

[It should be completed by the Beneficiary and be agreed with the Auditor. It includes a description of the Project concerned and the Grant Contract, the beneficiary/ implementing structure, and key financial/budget information. The Auditor should also present here the table with 'Information about the subject of the Expenditure Verification' as attached by the Beneficiary to the ToR. The information in this table should be verified by the Auditor]

2) **Reference 2.** Procedures to verify the Eligibility of Expenditure claimed by the Beneficiary in the Financial Report for the Project. This is provided by the Auditor. We have performed the procedures as agreed upon in the terms of reference for an expenditure verification of the Grant Contract concerning < title and number of the Project/contract> (see Annex 1) The factual findings of these procedures are set out under the headings below. [Describe the results of procedures performed. Use supporting schedules as Appendices to the Report, if applicable.] [Insert (if any): Details of exceptions:]

- General Procedures
- Conformity of Expenditure with the Budget and Analytical Review
- Selecting Expenditure for Verification
- Verification of Expenditure
- Eligibility of Direct Costs
- Accuracy and recording
- Classification
- Reality (Occurrence/Existence)
- Compliance with procurement, nationality, and origin rules
- Administrative (indirect) costs
- Verification Coverage of Expenditure
- Expenditure Coverage Ratio ('ECR').
- Sufficient spread of the ECR over expenditure categories.
- Verification of Revenues of the Project
- Procedures to verify the working and quality of internal controls.
- Terms of Reference
- Financial Reports as provided by the Beneficiary.

### **Annex 3**

#### Management Letter

In planning and performing our Financial Expenditure Verification of <xxxx>, we considered your internal control structure but did not ensure the internal control structure. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be a material weakness. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level, the risk that errors or irregularities in amounts that would be material about the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We have identified the following issues, which in our judgment are weaknesses, as presented in this management letter. The issues identified in this report are prioritized according to our understanding of the risk on a scale from 'very high significance'; 'high significance'; 'moderate significance' and 'lower significance'.

All issues have been discussed with the management, and the management comments are included.



Description of Business Risk	Grading of risk	Recommendation and Management response
Issue ....		

#### 10.0. Timing

A final expenditure verification report, including a management letter produced by an external auditor in support of the payment requested by the Beneficiary, is at all times required by **31/03/2024**.

#### 11.0. Qualifications.

A legally registered audit firm with minimum experience in the business and South Sudan context.

Interested firms are kindly invited to submit their financial proposal to [tendercordaidsouthsudan@cordaid.org](mailto:tendercordaidsouthsudan@cordaid.org) keeping in copy [ale.alex@cordaid.org](mailto:ale.alex@cordaid.org) before the **31<sup>st</sup> of January 2024**.

