



## TERMS OF REFERENCE FOR EXTERNAL FINANCIAL AUDIT OF A PROJECT, CSSF UKRAINE

### 1. Purpose of the Audit

International Charitable Foundation "Ukrainian Women's Fund" (UWF) wishes to engage suitable qualified auditors to undertake an external review of the financial records of the CSSF project "Making WPS agenda work for Ukrainian women: regional and sectoral solutions to peace and security issues facing women in Ukraine in times of war", project number PEA CSSF UKV 0523014, for the 2023 -2024 financial year.

The output will be an audit report detailing the findings from undertaking a review of commercial and financial information provided by the Foreign, Commonwealth and Development Office ("the Authority"), UWF (the Implementing Partner) and its sub-contractors (down streaming entities), reconciling spend and payment in accordance with the contract and obligations therein.

The auditors will be contracted to:

- i. Establish whether the project accounts and reports have been prepared in accordance with International Financial Reporting Standards (IFRS) and give a true and fair view of the financial situation of the project within the period of implementation.
- ii. Establish whether CSSF funds have been used in accordance with the conditions of the relevant financing agreements, and only for the purposes for which the financing was provided. The relevant financing agreements (grant agreements, commercial contracts, activity-based budgets, and any other relevant documentation) will be provided upon hire.
- iii. Produce complete and accurate financial statements of project revenues and expenditure during the period under review.

The audit should be carried out in accordance with either UK or national auditing standards (ISA 800 or equivalent). Sufficient audit evidence should be gathered to substantiate in all material respects the accuracy of financial statements. The audit report of the auditors should state if the audit was not in conformity with any of the above and indicate the alternative standards or procedures followed.

### 2. SCOPE

#### Requirements

1. The audit will be conducted in accordance with International Standards on Auditing and will include, as the auditors consider necessary, tests of transactions and of the existence, ownership and valuation of assets and liabilities.

2. The auditors will obtain sufficient and appropriate evidence to enable an understanding of the accounting and internal controls system to assess their adequacy as a basis for the preparation of the final financial report submitted to CSSF Ukraine and to establish whether proper accounting records have been maintained.

## Approach

The auditors' work should include sufficient tests to establish whether:

1. Expenditure of CSSF funds managed by the Implementing Partner has been disbursed and used in accordance with the CSSF contract and other relevant written agreements, and only for the purposes for which the funds were provided.
2. Payments made to down streaming entities were made in accordance with their financial agreements, approved budgets, and financial reports. Expenditures by down streaming entities shall not be reviewed.
3. All project expenditures are confirmed by respective bank statements.
4. All costs in the final financial report submitted by the Implementing Partner to the Authority were calculated correctly and relate to project activities performed during the period under review.
5. For any payments related to the project period but made after 31 March 2024, respective costs were accrued in correct accounting periods.
6. The final financial report is in accordance with the last project budget approved by the Authority; variances for sub-activity budget lines where total expenditure is £500 and more do not exceed 10% of the approved budget values; variances for all activity budget lines do not exceed 5% of the approved budget values; total project management and administration costs did not increase compared with the approved budget values. In case substantial variances are identified, confirm if written approval was obtained from the Authority in advance of the expense.
7. Records of transactions include accurate information regarding any variations in currency exchange rates, where relevant. Foreign exchange gains/losses are disclosed in the financial reports, and exchange rates used in financial reporting are in accordance with the provisions of relevant financing agreements including appendices, unless otherwise approved by the Authority.
8. Project costs in the final financial report exclude any VAT, unless written approval was obtained from the Authority in advance of the expense. The auditors shall quantify total amount of VAT included in the costs but not approved by the Authority.
9. Salary costs can be verified by sufficient supporting documentation (e.g. timesheets) and do not include any overtime, bonuses, or dividends, unless agreed with the Authority in writing.
10. Cost-sharing of staff salaries and any other shared costs is in accordance with the Level of Effort agreed in the project budget, and the share of such costs charged to the

Authority together with the shares charged to other Implementing Partner's projects comprise 100%.

11. All necessary supporting documents, records, and accounts have been kept in respect of and confirm all expenditure reports, including payments made to downstream entities. Clear linkages should exist between the books of account and the final financial report presented to CSSF. Regardless of materiality, the auditors shall quantify total amount of costs lacking sufficient supporting documentation.
12. An adequate budgetary control system is in place to monitor actual expenditure against budget lines on a regular basis and to take effective remedial action as necessary, with adequate segregation of duties in the maintenance and review of accounts and the performance of reconciliations
13. Expenditure of project funds has been approved at the correct level of delegated authority. This includes initial approval to incur expenditure and the payment of claims, invoices, salaries, allowances, and any other items of expenditure charged to the project budget.
14. Goods and services financed by CSSF funding were procured in accordance with relevant financing agreements and with due regard to agreed procurement best practice. The auditors shall identify and review top three procurements of goods and/or services (including consultants) and confirm whether they were made on a competitive basis.
15. Inventories and assets registers are complete and accurate, and the existence and ownership of assets and stock is regularly verified by physical checks to ensure that they are being used for the intended purposes of the project.

## Audit Report

1. The auditors will be required to report directly to the Implementing Partner with a copy to CSSF Ukraine Programme Finance Manager ([yuliia.kvitka@fcdo.gov.uk](mailto:yuliia.kvitka@fcdo.gov.uk)) and the project's Finance Officer ([stanislav.ostapenko@fcdo.gov.uk](mailto:stanislav.ostapenko@fcdo.gov.uk)).
2. The auditors will produce a draft audit report within 15 working days of commencement of the audit. The final report will include management comments on the auditors' findings and recommendations and will be provided 5 working days after the draft report.
3. The auditors will give details of locations visited and the relative size of samples tested. The audit report should provide a clear expression of opinion on the management of the project and on compliance with the funding agreement with CSSF. It should also state the basis of the auditors' opinion. If the auditors give a qualified opinion, the factors leading to the qualification should be given.
4. Besides an opinion on the project financial statement, the audit report should include a separate paragraph commenting on the accuracy and propriety of expenditure of CSSF funding and the extent to which CSSF can rely on the Implementing Partner's financial reporting as a basis for funding disbursements.

5. The auditors shall give an opinion on the potential for fraud and corruption in implementation of the project and provide details of any actual fraud or corruption incidents during the period under review and the value of possible losses.
6. The Project Financial Statement should include:
  - i. A summary of sources and uses of funds showing the sources of CSSF and counterpart funds separately and the uses of funds by disbursement category, both for the current financial year and accumulated to date.
  - ii. A statement for uses of funds by project activity showing expenditures of the project under each of the main project component and sub-component headings.
  - iii. A separate note of any ineligible expenditure identified during the review, with a valuation.
  - iv. As an annex to the Project Financial Statement, the auditors should prepare a reconciliation between the amounts shown as received by the project from CSSF and those confirmed as disbursed by CSSF. As part of that reconciliation, the auditors should indicate the mechanism for the disbursement, e.g. payment in arrears or in advance.

### **Management Letter**

In addition to the audit report, the auditors will prepare a Management Letter 5 days after the draft report, in which the auditors will:

- i. Give comments and observations on the accounting records, systems, and controls that were examined during the audit.
- ii. Identify specific deficiencies and areas of weakness in systems and controls. This will be shared with the Implementing Partner to communicate areas of development should they seek to get future funding from CSSF.
- iii. Report on the degree of compliance with the financing agreement and give comments, if any, on the internal and external matters affecting such compliance.
- iv. Communicate matters that have come to the auditors' attention during the audit which might have a significant impact on the implementation of the project.
- v. Bring CSSF to the attention of any other matters that the auditors consider pertinent.

### **Contract Duration**

The audit is scheduled to commence on the 22 April 2024 for a period of 20 working days (this includes field work and report submissions). All final reports should be finished by 22 May 2024. Deadline for submission of ITT is 20 March 2024.