# Terms of Reference (ToR) for Annual Financial Audit of the Project: “Forging Wider Alliances to support Rural Development in Georgia (FORWARD)”

**No. 8379-00/2024**

## Fundamental principles

* 1. The financial review of the project (“financial review”) is to be carried out by an independent auditor (“the Auditor”), having the required professional competence and experience, and in accordance with generally accepted international auditing standards[[1]](#footnote-1).
  2. These Terms of Reference (“ToR”) define the mandate of the Auditor in connection with the financial review of the project: “Forging Wider Alliances to support Rural Development in Georgia (FORWARD)”, Grant Agreement No. 8379-00/2024, Ref.: 8379-00/2024/Zahl/180-F&A/2024 funded by the Austrian Development Agency (ADA) and being implemented by the Foundation Action Against Hunger (AAH) Georgian Representation.
  3. The financial review covers the period from 1 November 2024 to 31 October 2027. Total of three annual financial reviews (audits) to be conducted, covering the following periods:

1st annual financial review – 1 November 2024 – 31 October 2025

2nd annual financial review – 1 November 2025 – 31 October 2026

3rd (final) financial review – 1 November 2026 – 31 October 2027

* 1. The financial review is based on the professional requirements and guidelines governing the professional work to be undertaken by the Auditor in relation to an agreed-upon procedures engagement in line with donor requirements[[2]](#footnote-2).
  2. AAH will ensure that the external auditor is provided with full information about the Grant Agreement, all the Annexes thereto, as well as the contract concluded with the project partner(s), if such.

## Overall objectives of the financial review

The Auditor is required to plan, execute, and report on the financial review engagement in order to form a professional judgment on the financial implementation of the project in accordance with the requirements stated in article 4.6. of the Grant Contract “GENERAL TERMS AND CONDITIONS” including the following verifications:

* + Costs declared in the Financial Statement are justified by the relevant supporting documents.
  + Costs meet eligibility criteria stipulated in the Grant Agreement and its annexes.
  + Original vouchers are clearly associated with the project and the projects time frame.
  + All invoices have been settled and paid for.
  + Financial resources have been used efficiently, cost effectively and solely for the purpose for which they were provided.
  + Generally Accepted Accounting Standards are met.
  + Conversion of currency has been calculated correctly.
  + Accrued interest has been declared[[3]](#footnote-3).
  + Expenses have been correctly assigned to budget items.
  + Over expenditure, if any, lies within the thresholds stipulated in the Grant Agreement.
  + Usage of budget funds under “unforeseen” or “contingency reserve” has been approved by ADA.
  + Indirect costs[[4]](#footnote-4), if foreseen in the budget, have been calculated properly.
  + Procurement regulations have been met.
  + Other revenues originally not foreseen in the financial plan were registered or Revenues foreseen in the financial plan were not realized.
  + The contract, terms and conditions have been complied with.
  + Applicable tax laws and regulations have been complied with.
  + Applicable Social and Labour Laws have been complied with.
  + An adequate, effective Internal Control System exists.
  + All assets and equipment have been incorporated in the asset list.
  + Assets and equipment have been used for the project purposes.
  + Project vehicles, if any, have been used according to the standards set out in the General Terms and Conditions of the Grant Agreement.
  + Regulations on travel expenses have been followed.
  + Sub-grants foreseen in the project document have been provided to third parties and have been properly accounted for on the basis of actual costs.
  + Applicable visibility regulations have been adhered to.
  + Recommendations from previous periods have been implemented.

## Documents of reference

The Contractor, i.e., the Grant Recipient, provides the Auditor with all necessary information to perform his/her work. Relevant documents must be specified in the Terms of Reference (ToR) which are annexed to the contract or Engagement Letter.

The following underlying documents are required as a minimum:

* Grant Agreement concluded between ADA and the Grant Recipient with all annexes, including contracts or Agreements between the Grant Recipient and his/her partners, if any
* Amendments to the Grant Agreement, if any
* Financial Statement

The Financial Statement (consisting of a summary and a detailed breakdown) includes a Budget vs. Expenditure comparison and a detailed voucher list classified according to the relevant budget lines and covers all project expenses and funds received from ADA, the Grant Recipient, other project partners or other donors. Revenues including accrued interest, if any, and calculations of conversions to the contract currency (generally Euro) are to be attested as well.

The Financial Statement covers all project expenses and funds received from ADA, the Grant Recipient, other project partners or other donors.

Contributions in kind are generally not part of the Project Budget and are thus not reflected in the Financial Statement.

If, in exceptional cases, the project budget includes expenses which cannot be verified by the Auditor, these expenses must be declared in the Terms of Reference (ToR) and in the Financial Statement.

The Budget vs. Expenditure comparison follows the approved budget and shows at least the same level of detail.

## Planning the financial review

The Auditor shall adequately plan the financial review engagement well in advance of the work and ensure the execution of a financial review of highest professional quality in an economical and efficient manner and within the agreed timetable.

Based on the information received during the planning phase, the Auditor ensures that:

* The overall Expenditure Coverage Ratio (ECR)[[5]](#footnote-5) is at least 65%. If he finds an exception rate of less than 10% of the total amount of expenditure verified (i.e., 6,5 %) the Auditor finalizes the verification procedures and continues with reporting.
* If the exception rate found is higher than 10% the Auditor extends verification procedures until the ECR is at least 85%. The Auditor then finalizes verification procedures and continues with reporting regardless of the total exception rate found.
* The ECR for each expenditure heading and subheading in the Financial Report is at least 10%.

The Auditor undertakes to ensure continuity in the review approach of the final financial review engagement and the review team, even if there is a change in the leader of the review team from prior year.

## Place of financial review

Ordinarily the Auditor will determine the type of physical verifications as well as the number of site visits to be planned, and conduct financial review on site, at the Contractor’s premises.

## Financial review report

The review report of the Auditor shall explicitly be responsive to the overall objectives applicable to the review engagement, as outlined under paragraph 2 above.

In reporting on the results of the final financial review, the Auditor shall address the following matters and follow the following structure in their report:

## Content and structure of Auditor’s financial review report

The Auditor shall produce an Expenditure Verification Report which contains at least[[6]](#footnote-6):

* + - Title.
    - Addressee.
    - Brief description of the project and partner(s).
    - Period covered by the report.
    - Total amount of budgeted and actual incomes.
    - Complete list of project funds transferred, including donors’ names, dates and exchange rates.
    - Total amount of actual expenditures verified.
    - Expenditure Coverage Ratio.
    - Description of the procedures performed.
    - Factual findings.
    - Recommendations, if applicable.
    - Follow up of previous recommendations, if applicable.
    - Other relevant matters.
    - Date of the report.
    - Auditor’s address and signature

The Report shall also comprise the following annexes:

* + - Financial Statement.
    - Bank account statements.
    - List of payable invoices, if any.
    - In case ineligible costs are detected, a list of respective vouchers.
    - Asset list.
    - If expenses contain Value Added Tax (VAT), the Auditor shall certify that Grant Recipient is not exempt from VAT and cannot reclaim it either.

## Form

The financial information contained in the financial review report of the Auditor is to be expressed in the currency provided for in the grant contract. The report of the Auditor and all other documents resulting from the review must be in English.

## Signature

The financial review reports are to be signed by a representative of the Auditor as well as by the leader of the review team and countersigned by the Contractor.

## APPLICATION PROCESS

Interested applicants should send their financial proposition in Euros. The amount must be expressed in gross and include all applicable fees (service fees, transportation, per diem etc).

Applications must be sent to the following Action Against Hunger email address:

[procurement@sc.acfspain.org](mailto:procurement@sc.acfspain.org) with the subject line “Annual Financial Audit - 8379-00/2024” no later than the 28/09/2025 at 21.00 CET.

Any application sent after the indicated date and time will not be accepted.

1. The Auditor must comply with the Minimum requirements for Auditors as defined by the Guidelines for Expenditure Verifications of projects (co-)financed by the Austrian Development Agency (ADA), which forms an inseparable part of the Contract (attached as Annex 2) [↑](#footnote-ref-1)
2. The International Standard on Related Services (‘ISRS’) 4400 Engagements to perform agreed-upon procedures regarding Financial Information as promulgated by the IFAC.

   The IFAC Code of Ethics for Professional Accountants (developed and issued by IFAC's International Ethics Standards Board for Accountants (IESBA), which establishes fundamental ethical principles for Auditors regarding integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards. Although ISRS 4400 provides that independence is not a requirement for Agreed-upon procedures engagements, the Contracting Authority requires that the Auditor is independent from the Beneficiary and complies with the independence requirements of the IFAC Code of Ethics for Professional Accountants. [↑](#footnote-ref-2)
3. Note that accrued interest has to be reimbursed to ADA. [↑](#footnote-ref-3)
4. Indirect costs (also named “Projektbegleitentgelt, (PBE)” are calculated proportionally to eligible direct costs and do not require further supporting documents. Audit costs are part of indirect costs. For details refer to “Guidelines indirect costs” [↑](#footnote-ref-4)
5. This ratio represents the total amount of expenditure to be verified expressed as a percentage of the total expenditure. [↑](#footnote-ref-5)
6. For details on reporting please refer to ISRS 4400, issued by IFAC. [↑](#footnote-ref-6)