

Terms of Reference

External Audit Services to RECONOMY Program for the years 2024-2026

1. Background

Helvetas is an independent development organization based in Switzerland with affiliated organizations in Germany and the United States. Helvetas supports poor and disadvantaged people and communities in almost 40 developing and transitional countries in Africa, Asia, Latin America, and Eastern Europe. Helvetas is committed to a just world in which all people determine the course of their lives in dignity and security, sustainably using environmental resources. Helvetas tackles global challenges at various levels: with projects on the ground, expert advice, and advocating for conducive framework conditions benefiting the poor. This triple commitment is empowering people and transforming lives. Helvetas follows a multi-stakeholder approach by linking civil society actors, governments, and the private sector.

RECONOMY is funded by the Swedish International Development Cooperation Agency (Sida) and implemented by HELVETAS Swiss Intercooperation. Helvetas partnered with Sida to facilitate an inclusive and green economic development program in the Eastern Partnership (Armenia, Azerbaijan, Georgia, Ukraine, Moldova) and the Western Balkan (Kosovo, North Macedonia, Albania, Montenegro, Serbia, and Bosnia and Herzegovina) regions.

The main goal of RECONOMY is to enable women and youth, including the most disadvantaged and excluded, to benefit from economic opportunities by increasing their income and taking up decent and green jobs inclusively and sustainably.

The Program was launched in 2020, with the Inception Phase that ended for the Eastern Partnership countries in December 2022 and in March 2023 for the Western Balkans. The Program worked through different implementing partners, aligning the reporting and governance systems with the standards of Helvetas and Sida.

The RECONOMY Main Phase is foreseen for four years, starting in January 2023 for the EaP region and in April 2023 for the WB region. Main Phase will last till the end of December 2026. The expected budget volume for the years 2024 - 2026 is approximately **16 million CHF**. Given the regional nature of the Program, the team is dispersed over several countries, with key management functions located in Bern and Zurich, Switzerland. RECONOMY implements the Program across a wide region of 11 countries, with its own staff and as well through the Implementing Partners engaged in regions. Approximately 8 Mil CHF from the total budget is estimated to be forwarded to the Implementing Partners.

The Program Facilitation Unit (PFU) leads the overall management and coordination of the Programme aligned with Helvetas rules and processes while reporting regularly to Sida. The Program has set up necessary systems and processes that would allow the Program to operate regionally and ensure quality and adequate finance and risk management systems following the rules and regulations of Helvetas, and aligned with Sida requirements defined in the agreement. The financial and administrative processes of RECONOMY are integrated into the Helvetas institutional setup and the organization's accounting system. Financial reporting, including the audit process, remains an area of ongoing adaptation to meet Sida's requirements and accommodate a regional program's complexity.

More information about the RECONOMY Program is in the annexes.

2. Objectives and Scope of the Audit

Helvetas would like to engage the services of an audit firm to audit on yearly basis the *RECONOMY Program Main Phase*, as stipulated in the Agreement between Helvetas and Sida. The Audit shall be carried out in accordance with International Audit Standards (ISA) issued by IAASB¹ and International Standards on Related Services (ISRS) 4400 (Revised).

2.1 Objective and Scope of the Audit

The objective is to audit the financial reports for the period **2024-01-01 to 2026-12-31** on annual basis as submitted to Sida and to express an audit opinion according to ISA, applying ISA 800/ISA 805, on whether the financial reports of the RECONOMY Main Phase are in accordance with Helvetas accounting records and Sida's requirements for financial reporting as stipulated in the Agreement including appendices between Sida and Helvetas.

2.2 Additional assignment

According to Agreed upon Procedures (AuP), shall be carried out on annual basis according to ISRS 4400 (Revised), review the following areas in accordance with the terms below.

Mandatory procedures that must be included:

1. Observe whether the financial report is structured in a way that allows for direct comparison with the latest approved budget².
2. Observe and inspect whether the financial report provides information regarding:
 - a) Financial outcome per budget line (both incomes and costs) for the reporting period and columns for cumulative information regarding earlier periods under current agreement.
 - b) When applicable, compare if the opening fund balance³ for the reporting period matches with what was stated as closing fund balance in the previous reporting period.
 - c) A disclosure of exchange gains/losses. Inquire and confirm whether the disclosure includes the entire chain of currency exchange from Sida's disbursement to the handling of the project/programme within the organization in local currency/ies, if applicable.
 - d) Explanatory notes (such as, for instance, accounting principles applied for the financial report).
 - e) Amount of funds that has been forwarded to implementing partners, when applicable.
3. a) Inquire and inspect with what frequency salary costs during the reporting period are debited to the project/programme.

Choose a sample of three individuals for three different months and:

- b) Inquire and inspect whether there are supporting documentation⁴ for debited salary costs.

¹ The International Auditing and Assurance Standards Board (IAASB)

² The budget is attached to the agreement with Sida as an annex and any updates should be supported by a written approval by Sida.

³ I.e. funds remaining from disbursements made during previous reporting period/s

⁴ Debited salary costs should be verified by supporting documentation such as employment contracts.

- c) Inquire and inspect whether actual time worked is documented and verified by a manager. Inquire and inspect within which frequency reconciliations between debited time and actual worked time is performed.
 - d) Inspect whether Helvetas complies with applicable tax legislation with regard to personal income taxes (PAYE)⁵ and social security fees.
4. Review and confirm that Helvetas screens IP's and/or suppliers to ensure that such parties are not subject to the European Union's financial sanctions list of persons, groups and organisations (EU Sanctions list).

Enquire whether there has been any reported findings from the screening process and if so, report on such findings

- 5. a) Inspect and confirm that the unspent fund balance (according to the financial report) at the end of the financial year is in line with information provided in the accounting system and/or bank account.
- b) **Applicable the final year:** Inspect and confirm the unspent fund balance (including exchange gains) in the financial report and confirm the amount that shall be repaid to Sida.
- c) Inspect and confirm that Sida has been notified when/if the performance based bonus system (1000 CHF/employee) has been applied for programme funded staff.

➤ **Follow up of funds that are channelled to implementing partners**

Mandatory assignments that must be included if Helvetas forward funds to implementing partners (IP's):

Choose a sample of a minimum of 40 % of the total of disbursed funds as well as 40 % of the number of IP's or a maximum of 10 IP's.

- 6. Inspect and confirm whether Helvetas has signed agreements with the selected IP's.
- 7. Inspect and confirm whether Helvetas, in all agreements entered with IP's, included the requirement to carry out annual audits. The requirement shall specify that these audits shall be carried out with application of ISA (reporting according to ISA 800/805) and a separate assignment according to ISRS 4400 (Revised) should be included for project/programme support. If agreements regarding core support are entered into with IP's, the audit shall be conducted in accordance with ISA 700 or National standards on auditing.
- 8. Inquire and inspect whether Helvetas has received financial reports and auditor reports from all IP's included in the selected sample:
 - a) Inquire and inspect whether Helvetas has verified if reports from IP's are in line with the requirements in the Agreement.
 - b) Inquire and inspect whether Helvetas has documented its assessment of the submitted financial reports and reporting from auditors including management responses and action plans from selected IP's.
 - c) Inquire and inspect whether Helvetas has documented its follow-up actions based on the information provided in the financial reports and the reporting from the auditor of the selected IP's.

⁵Pay As You Earn

- d) Inquire and inspect whether Helvetas has reported substantial observations⁶ from selected IP’s audit reports in its communication with Sida. List observations⁷ from IP’s audit reports which have been part of this sample.

2.3 The reporting

The reporting shall be signed by the responsible auditor (not just the audit firm⁸) and shall include the title of the responsible auditor.

Reporting from the ISA assignment

The reporting from the auditor shall include an independent auditor’s report in accordance with the format in standard ISA 800/805 and the auditor’s opinion shall be clearly stated. The financial report that has been the subject of the audit shall be attached to the audit report.

The reporting shall also include a Management letter that discloses all audit findings, as well as weaknesses identified during the audit process. The auditor shall make recommendations to address the identified findings and weaknesses. The recommendations shall be presented in priority order and with a risk classification.

Measures taken by Helvetas to address weaknesses identified in previous audits shall also be presented in the Management Letter. If the previous audit did not have any findings or weaknesses to be followed-up on, a clarification of this must be disclosed in the audit reporting.

If the auditor assesses that no findings or weaknesses have been identified during the audit that would result in a Management Letter, an explanation of this assessment must be disclosed in the audit reporting.

Reporting from the ISRS 4400 (Revised) assignment

The additional assignment according to agreed upon procedures ISRS 4400 (Revised) under section II, shall be reported separately in an “Agreed-upon procedures report”.

Performed procedures should be described and the findings should be reported in accordance with the requirements in the International Standard on Related Services 4400 (Revised).

When applicable, the sample size shall be stated in the report.

2.4 The audit reporting timelines

The required timetable for audit fieldwork, as well as for issuance of the final reports, should be as follows:

Events	Scheduled time
Risk Analysis and Planning	October- November
Audit Process	April*
Audit Draft Reports for ISA 800/805 incl. Management Letter and Agreed-upon Procedures	The second week of May
Audit final reports, debriefing, and outlook	The third week of May

*The RECONOMY Program audit must be coordinated with the Helvetas HO Audit, therefore the timeline of the Audit process may slightly differ from year to year.

⁶ Deemed substantial by the Cooperation partner.

⁷ Observations included in Management Letters and if applicable, qualified audit reports.

⁸ If the audit firm is obliged to sign, refer to relevant legislation. Sida still needs to know who has been responsible for the audit assignment.

3. Technical Proposal

In the Technical Proposal, the audit firm should:

- *Firm Profile:* Provide a brief overview of the audit firm, including name, location, size, and any key statistics that showcase the presence and history of the Audit.
- *Team Expertise:* Describe the qualifications and experience of the audit team members who will be assigned to the engagement. Highlight their relevant certifications, field of expertise, and any specialized skills that make them suitable for the Audit.
- *Experience:* Present the firm's auditing experience, especially working with international development programs, organizations, and not-for-profit organizations. Mention any notable clients or projects that demonstrate it.
- *References:* Present references or case studies that showcase the firm's successful completion of similar audit programs/projects, underscoring the organizational capabilities.
- *Quality Control:* Explain the firm's quality control procedures and adherence to auditing standards (e.g., Generally Accepted Auditing Standards or International Standards on Auditing). Emphasize how these procedures ensure the accuracy and reliability of audit outcomes.
- *Resources:* Detail the resources available to the audit team, including using advanced auditing software and technology. Explain how these resources enhance the efficiency and effectiveness of the audit process.
- *Timelines:* Provide assurances regarding the firm's ability to complete the Audit within the specified timeline. Mention any measures in place to ensure the Audit stays on schedule.
- *Independence and Objectivity:* Highlight the firm's commitment to independence and objectivity in conducting audits. Discuss any policies or safeguards in place to prevent conflicts of interest.
- *Client Relationships:* Mention the firm's approach to building strong client relationships and its dedication to understanding your organization's unique needs and goals.
- *Communication:* Describe how the audit firm will communicate throughout the audit process, including regular progress updates and opportunities for feedback.

4. Financial Proposal

Considering the above information and enclosed Annexes, the Financial Proposal should consist of the following structure:

No.	Services	Fee (in CHF)
1.	Audit of the annual financial report for RECONOMY Program Main Phase according to ISA 800/ISA 805	
2.	Management letters on the audit findings and weaknesses identified during the audit process	
3.	Performance of Agreed-upon Procedures according to ISRS 4400 (Revised)	
	Total recurring audit fees per year (2024 – 2026)	

Notes to the Financial Proposal:

- The audit fee of the annual financial report for the RECONOMY Program Main Phase should be valid for years 2024, 2025, and 2026, and must be VAT inclusive.
- The Performance Report on Agreed-upon Procedures fee might slightly depend on the number and complexity of the procedures predefined by Helvetas / Sida and should be negotiated beforehand with Helvetas.