

EXPENDITURE VERIFICATION / AUDIT
of a financed project funded by Federal Minister for Social Affairs, Health, Care
and Consumer Protection (BMSGPK)
TERMS OF REFERENCE (ToR)

1. INTRODUCTION

Caritas Austria is an international NGO implementing activities in the fields of emergency relief and rehabilitation as well as development cooperation, in countries struck by conflicts or natural disasters. Caritas Austria has been supporting projects in the Western Balkans for the past 20 years, addressing social needs like care for children and youth, programmes for women and the integration of minorities, elderly care, support of persons with disabilities, agricultural projects, etc.

With the current programme TAKE CARE II, Caritas puts the focus on the provision of home care, social assistance and direct support for socially disadvantaged and economically vulnerable people in North Macedonia encompassing mobile health, legal and social services and ensuring educational support for children. TAKE CARE II encompasses regional knowledge exchange.

2. BACKGROUND OF THE PROJECT

- a) Back donor's contract number and official project title:
2023-0.618.599 – TAKE CARE II integrated social and Health care for vulnerable Population in North Macedonia
- b) Caritas Austria's project number and official project title:
2309056 – TAKE CARE II integrated social and Health care for vulnerable Population in North Macedonia
- c) Project duration/implementing period:
01.10.2023 – 30.04.2025
- d) Official project budgets (with indication of donor's contribution):
Total project budget: EUR 150.000
Donor`s contribution: EUR 135.000
Own contribution: EUR 15.000
- e) Short project description:
 - Implementing partner organisation:
 - Partner 1: Caritas Austria, Storchengasse 1/E1 05, 1150 Vienna, Austria
 - Partner 2: Macedonian Caritas, Petar Poparsov 43, 1000 Skopje, North Macedonia
 - Partner 3: Kindness, Bul. Kocho Racin No. 30-1/3, 1000 Skopje, North Macedonia
 - Partner 4: RDDA Sonce, Ivo Lola Ribar 381, 1200 Tetovo, North Macedonia

Impact:

The overall aim of the project is to contribute to securing long-term and dignified housing opportunities for people affected by poverty and/or those at increased risk of poverty and social exclusion due to the country's economic crisis.

Programme outcomes:

OC. 1: People affected by poverty and/or at high risk of poverty and marginalisation take proactive measures to ensure their livelihood and support their household during the economic crisis.

OC. 2: People affected by poverty and/or at high risk of poverty and marginalisation have better access to preventive measures and integrated, assisted housing during the economic crisis.

Expected results:

Result 1.1: People affected by poverty and/or at high risk of poverty and marginalisation have improved skills to secure their livelihoods during the economic crisis.

Result 1.2: People experiencing poverty and/or at high risk of poverty and marginalisation have improved skills to access social services and benefits.

Result 2.1: People affected by poverty and/or at high risk of poverty and marginalisation have access to preventive measures and integrated, assisted housing.

Result 2.2: Development and dissemination of pilot concepts and best practices for preventive measures and assisted living.

Target group:

The following target numbers are outlined:

- Poor people and people at high risk of poverty and social exclusion - a total of 300 unique direct beneficiaries will be targeted through the mobile social, legal and health services.
- 17 households and/or at risk of becoming homeless households will receive accommodation within an integrated housing-approach
- At least 30% of women and girls receive specific thematic social and legal advice and support
- At least 60% of the people directly affected by the project belong to the Roma community

Target regions/locations:

Gostivar, Tetovo and Skopje incl. the rural areas around these cities.

Activities related to OPs:

0.0.0 Identification of people affected by poverty and people at risk of poverty and exclusion in the cities of Skopje, Tetovo and Gostivar.

1.1.1 Develop workshops and mentoring on essential life skills for marginalized households.

1.2.1 Technical assistance and mentoring to evaluate social services and transfers.

2.1.1 Providing integrated housing services.

2.2.1 Coordination, sensitization and dissemination.

2.2.2. Number of stakeholders' representatives have stated that they have improved applicable knowledge on systemic solutions of homelessness.

3. OBJECTIVES OF THE EXPENDITURE VERIFICATION

The objectives of the audit are:

- a) to provide a professional opinion on the quality of processes and accounting practices within the audited organisation and specifically as applied within the project at hand following point 5 (procedures to be performed by the Auditor)
- b) to independently verify that the project mentioned above has been implemented in compliance with the requirements of the following documents of reference:
 - **Legislation:** National legislation, with particular attention to:
 - o Respective social and labour law (including staff and salary regulations).
 - o Regulations on VAT and other taxes
 - o National accounting policies
 - **Project:** Cooperation agreement relative to the project or to the partner organisation, Project Documents, Terms of Reference (TOR), Budgets, plans of project activities.
 - **Accounting:** Accounting documents subject to the financial audit, financial and operational reports concerning the project.
 - **Auditor:** The present terms of reference and the related mandate for financial audit.
- c) to provide a professional opinion on the quality of the audited organisation's financial reporting and its suitability for the requirements of the donors.
- d) Verification of the correctness of the accounting on the basis of original documents (including contracts, reports on the services provided, invoices, auxiliary materials)
- e) Verification of the efficiency, the reasonableness, and appropriateness of project expenditures
- f) Verification of the classification of expenses within the budget lines of planned budget: personnel, travel costs and other expenses (e.g. rent, supplies, operating costs, etc.);
- g) Verification of the expenditures and income, any duplication of funding and the overall financial management of the project
- h) Review of financial flows (project-related cash flows, original invoices, payment receipts, bank statements, etc.)
- i) Confirmation of the correct accounting of expenses at the bank accounts of the association on the basis of original documents
- j) Verification of the plausibility of the exchange rates € / local currency
- k) Confirmation of all income in foreign currencies to the bank accounts of the Association on the basis of briefing notes and statements of accounting and confirming the proper play in accordance with statutory accounting rules on the books in respective country.

4. MINIMUM REQUIREMENTS FOR AUDITORS AND AUDIT STANDARDS

- a. The Auditor is a member of a national accounting or auditing body or institution which in turn is a member of the International Federation of Accountants (IFAC).
- b. The Auditor is a member of a national accounting or auditing body or institution. Although this organisation is not a member of the IFAC, the Auditor commits himself/herself to undertake this Engagement in accordance with the IFAC standards and ethics.
- c. The Auditor is registered as a statutory auditor in the public register of a public oversight body in an EU member state in accordance with the principles of public oversight set out in Directive 2006/43/EC of the European Parliament and of the Council (this applies to auditors and audit firms based in an EU member state).
- d. The Auditor is registered as a statutory auditor in the public register of a public oversight body in a third country and this register is subject to principles of public oversight as set out in the legislation of the country concerned (this applies to auditors and audit firms based in a third country).
- e. The Auditor shall undertake this Engagement in accordance with:
 - o the International Standard on Related Services (ISRS) 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the IFAC;
 - o 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, Caritas Austria and its back donor require that the Auditor is independent from the Beneficiary and complies with the independence requirements of the IFAC Code of Ethics for Professional Accountants.
- f. The Auditor will employ staff with appropriate professional qualifications and suitable experience with IFAC standards and with experience in verifying financial information of projects comparable in size and complexity to the project subject to the expenditure verification.
- g. The Auditor must have sufficient knowledge of relevant laws, regulations and rules in the countries concerned i.e. where the project is implemented. This includes but is not limited to the company law, taxation, social security and labour regulations, accounting and reporting.
- h. The Auditor will provide the Contractor with CVs of the staff/experts involved in the expenditure verification. The CVs will include appropriate details for the purpose of the evaluation of the offer on the relevant specific experience for this expenditure verification and the qualifying work carried out in the past.

5. PROCEDURES to be performed by the AUDITOR

The auditor verifies based on original documents that

- 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 (stamped) and the projects time frame;
- all original invoices/receipts have been stamped with the notion "Funded by the Austrian Federal Ministry of Social Affairs, Health, Care and Consumer Protection"
- own funds were used (if applicable);
- financial resources have been used efficiently, costs 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;
- expense have been correctly assigned to budget items;
- verification of the activity records and time sheets of the employees and the allocation of the costs incurred to the positions of the official budget;
- over expenditure, if any, lies within the thresholds stipulated in the Grant Agreement and the Project Manual;
- indirect costs/ overhead costs, if foreseen in the budget, have to be calculated properly;
- the calculation of personnel costs, including documentation, has been carried out correctly;
- procurement regulations have been met;
- Calculation, allocation or aliquot keys and any explanations of these (why is the allocation made to this extent) are available if these have been used (e.g. rental costs, overhead costs);
- 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;
- 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 of the BMSGPK or the auditor have been implemented;

- Depreciation on investment goods that continue to be available to the Recipient after the end of the term of the Agreement has been properly calculated, if applicable;
- Equipment or services produce or provided by the Recipient itself have been charged at cost only (without any markup).

Additionally

- the auditor provides information on the treatment of taxes (especially VAT) in the financial reports.
- examines whether the persons enjoying power of disposal over the bank account are the same or among those officially authorised to represent the Legal Holder of the project.
- In case of education and training courses, to examine the relevant invoices, bills, receipts (Fees, food, accommodation, transport, etc.) and also the lists of participants
- examines the tools and procedures of internal control.

6. AUDITOR'S REPORT

6.1. The auditor shall produce **a draft and a final Expenditure Verification Report** based on the official project budget and exactly reflecting its budget line structure.

The audit reports must be written in English and contains at least

- Title
- Contracting Organisation (Caritas Austria)
- Project number and name
- Implementing organisations' names and contact details
- Brief description of the project and partner(s)
- Reporting period and currency
- Exchange rates used in the financial report (to Euro or to the official project currency, as indicated in the project budget), with detailed explanation of their calculation
- Total amount of budgeted and actual expenditures, with differentiation between direct and indirect costs, as indicated in the official project budget
- Complete list of reported expenditures classified according to the relevant budget lines;
- Total amount of budgeted and actual incomes
- Complete list of project funds transferred, including donors' names, dates and exchange rates
- Indication on treatment of taxes and especially VAT
- Amount of actual expenditures verified
- Expenditure Coverage Ratio
- Objectives, Scope and Description of the procedures Findings from the expenditure verification
- Recommendations, if applicable
- Follow up of previous recommendations, if applicable
- Other relevant matters
- Reference to contact persons/sources of information from implementing partner organisation during audit execution
- Auditor's name, position, address, phone, fax and e-mail
- Date, auditor's signature

6.2. The Report shall also comprise the following annexes:

- Financial Statement: overall calculation with comparison of actual expenditures vs. approved budget certified by the company's formal signature (stamp and signature) and by the formal signature (stamp and signature) of the auditor
- Cash flow statement
- A detailed voucher list classified according to the relevant budget lines
- Bank account statements
- List of payable invoices, if any
- In case ineligible costs are detected, a list of respective vouchers
- Asset list of all goods/equipment financed with project funds with a value of over Euro 400,-
- If expenses contain Value Added Tax (VAT), the Auditor shall certify that Grant Recipient is not exempt from VAT and cannot reclaim it either

6.3. A signed original version of the audit reports must be submitted in hardcopy to:

Nr. 2 copies to Caritas Austria

Nr. 3 copies to Implementing partner (1 copy per partner)

7. MANAGEMENT SUPPORT / Contractor's duties

7.1. Caritas Austria and its implementing partner organisation will provide the external auditor with all necessary information to perform his/her work. Relevant documents must be specified in the Terms of Reference which are annexed to the contract or Engagement Letter.

The following underlying documents are required as a minimum:

- Grant Agreement between Caritas Austria and back donors (if applicable)
- Amendments to the Grant Agreement, if any
- MoU/cooperation agreement between Caritas Austria and its implementing partner organisation(s)
- ToR for the external audit
- Official project budget
- Financial project reports, including complete list of reported expenditures
- Original vouchers/receipts
- Access to the used bookkeeping system
- Access to information related to bank and cash statements
- Any other documents required by the auditor for the performance of his/her tasks

7.2. 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 BMSGPK, 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.

7.3. The Financial Statement covers all project expenses and funds received from BMSGPK, the grant recipient, other project partners or other donors. The budget vs. expenditure comparison follows the approved budget and shows at least the same level of detail.

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.

7.4. The project managers, the accountants and the staff working on the project will be open to collaboration with the auditor.

7.5. The contractor must reserve the right to share the Expenditure Verification Report and its annexes with all donors.

The contractor and its back donor BMSGPK reserves the right to reject the Expenditure Verification Report if it does not comply with the required standards.

BMSGPK may at any time require the submission of the original vouchers. The original vouchers must be available for in situ inspection by BMSGPK at any time for a period of ten years starting from the end of the year during which the last instalment has been disbursed by BMSGPK. BMSGPK shall be allowed to inspect in detail the financial management of the Project at any time.

8. EXPENDITURE COVERAGE RATIO (ECR)¹

The auditor ensures that the overall ECR 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 finalises the verification procedures and continues with reporting. If the exception rate found is higher than 10 % the Auditor extends verification procedures with reporting regardless of the total exception rate found. The Auditor ensures that the ECR for each expenditure heading and subheading in the Financial Report is at least 10 %.

9. WORK PLAN

Activity	until	to
Letter/Expression of interest/offer	12.02.2025	Caritas Austria/Implementing partner organisation
Signed contract between auditor and Caritas Austria/Implementing partner organisation	28.02.2025	Caritas Austria/Implementing partner organisation
Auditing	09.06 – 27.06.2025	
Sending draft audit report to Caritas Austria/Implementing partner organisation	04.07.2025	Caritas Austria/Implementing partner organisation
Feedback from Caritas Austria/Implementing partner organisation	11.07.2025	Auditor

¹ This ratio represents the total amount of expenditure to be verified expressed as a percentage of the total expenditure which has been subject to this audit.

Finalization of and transmission of the final audit report to Caritas Austria/Implementing partner organisation	18.07.2025	Caritas Austria/Implementing partner organisation
---	------------	---

10. LETTER OF INTEREST, SELECTION PROCESS AND CONTRACTING

10.1. Interested auditors are requested to send a **“Letter of Interest”** no later than **12.02.2025 to Michael Klipstas, michael.klipstas@caritas-austria.at**.

It should include:

- Description of planned audit implementation
- Schedule of activities
- Auditor’s fees
- Auditor’s CV and/or company profile
- Confirmation that the auditor will carry out the audit in accordance with the Terms of Reference

10.2. Submission of tender application/offer:

- For your application please use Annex 2 Expenditure Verification Tender application template². Applications can be submitted in English.
- Please note that only signed offers can be accepted (see page 7 of Tender application). A scanned copy of the signature will be accepted (via E-Mail).

10.3. Selection of best offer

In accordance with Caritas Austria’s procurement rules a selection committee with qualified members will select the best offer regarding price and quality. Price and quality will be weighted with 70% (price) and 30 % (quality).

10.4. Contract/ Letter of Engagement

Before carrying out the audit, a **contract** (based on the ToR for the external audit) has to be signed between Caritas Austria/implementing partner organisation and the respective auditing company.

The audit contract shall be drafted by the auditor and shall:

- Be written in English
- Include these ToR as an annex and integral part of the contract
- Contain a confirmation that the auditor has read BMSGPK’s General contractual conditions, especially part II of the Grant Agreement
- Contain a time schedule for the auditing process (See also 9. Workplan)

11. CONTACTS

11.1. Caritas Austria

Office: Caritas Österreich, Storchengasse 1/E1 05, 1150 Vienna, Austria

Contact person: Michael Klipstas, michael.klipstas@caritas-austria.at, +43 664 82 66 910

² Other forms of presentation are valid as far as they refer to all details requested in the application template.