**TERMS OF REFERENCE**

**FOR EXTERNAL AUDITOR/AUDITING COMPANY**

**Project “Increase parliament's responsiveness to citizens’ concerns”**

# Background Information

The Institute for Democracy and Mediation (IDM), in collaboration with the Albanian Institute of Science (AIS) and Citizens Channel, is implementing the project "Increasing Parliament's Responsiveness to Citizens' Concerns" Project Code: 301457-415 funded by the Foreign, Commonwealth & Development Office (“FCDO”). The project aims to amplify the parliament’s efforts in fostering an enabling environment for substantial civic engagement in political and legislative processes in Albania as a means to promote public interest and build trust.

In this context, IDM is seeking to engage the services of an audit firm for financial auditing as stipulated in the agreement between the Institute for Democracy and Mediation (IDM) and the Foreign, Commonwealth & Development Office (“FCDO”).

The audit shall be carried out following international audit standards issued by IAASB. The audit shall be carried out by an external, independent and qualified auditor (Approved Public Accountant/Authorized Public Accountant or equivalent).

# Period covered by the assignment

The first audit should cover the annual period of 19 May 2023 to 31 March 2024 for three project consortium members: IDM, AIS and Citizens Channel. The second audit phase should cover the period from 1 April 2024 to 31 March 2025.

# Objectives of the Audit[[1]](#footnote-1)

1. The objective is to audit the Financial Reports for the period from 19 May 2023 to 31 March 2024 and to express an audit independent assurance according to ISA 800/805 on whether the financial reports are compliant with the agreement between the IDM and FCDO’s requirements for financial reporting as stipulated in the agreement including appendices between FCDO and IDM.

# Scope of the audit

The audit of the project will be carried out following the International Standards of Auditing (ISA) issued by IAASB. The auditors will comment on the accounting principles used for the preparation of the financial report and if they were consistently applied.

Mandatory procedures:

1. The financial report is structured in a way that allows for direct comparison with the latest approved budget.
2. The financial report provides information regarding:

Financial outcome per budget line (both incomes and costs) for the reporting period and columns for cumulative information regarding earlier periods under the current agreement.

* 1. When applicable, compare if the opening fund balance for the reporting period matches with what was stated as the closing fund balance in the previous reporting period.
  2. A disclosure of exchange gains/losses. Inquire and confirm whether the disclosure includes the entire chain of currency exchange from FCDO’s disbursement to the handling of the project within the organization in local currency/is, if applicable.
  3. Explanatory notes (such as for instance, accounting principles applied to the financial report).

1. a) Inquire and inspect with what frequency salary costs during the reporting period are debited to the project.

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

1. Inquire and inspect whether there is supporting documentation for debited salary costs.
2. 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 are performed.
3. Inspect whether the organization comply with applicable tax legislation on personal income taxes (PAYE[[2]](#footnote-2)) and social security fees.
4. Review and confirm that the Cooperation partner 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 organizations (EU Sanctions list).
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 in 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 FCDO.

1. Inspect and confirm whether the organization have signed an agreement with IDM.
2. Inspect and confirm whether the organization, in the agreement with IDM, implemented the requirements to carry out annual audits.
3. **Audit Report**

The audit report will comprise of:

*Reporting from the ISA assignment*

* The reporting from the auditor shall include an independent auditor’s report following 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.

# Management Letter

In addition to the audit report, the auditors will 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 the project consortium partners to address weaknesses identified in previous audits shall also be presented in the Management Letter.

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.

# Timeline

The submission of the Final Audit Report and Management letter will be on 24 May, 2024.

# General Information

* 1. The auditors will be given access to all legal documents, correspondence and any other information associated with the projects and consider necessary by them.
  2. The budget for this project is 450,000.00 GBP
  3. It is recommended that the auditors become familiar with the following documents:
     1. The Grant Agreement between FCDO and IDM including annexes
     2. The Grant Agreement between the organizations and IDM including annexes
     3. All other relevant documents as presented by the organization upon request of the audit.

# Application Process

Interested candidates must include in their application the following documents:

1. Background information on the audit firm: details of the firm’s experience in providing auditing services to companies in the not-for-profit sector, especially international organizations.
2. Firm’s registration details with relevant regulatory authorities.
3. Provide names and resumes of key personnel who will conduct the audit.
4. Include the estimated time required on-site to complete the services.
5. Fee proposal to complete the services outlined in this request (including VAT).

**The proposals should be submitted within 27 March 2024 to the following:**

Email: [procurement@idmalbania.org](mailto:procurement@idmalbania.org)

1. The International Auditing and Assurances Standards Board (IAASB) [↑](#footnote-ref-1)
2. Pay as You Earn [↑](#footnote-ref-2)