EXTERNAL AUDIT TERMS OF REFERENCE

## INTRODUCTION

SOS-Kinderdorf (Austria) requests you to conduct a Special Purpose Audit concerning the Project “Strengthened families and empowered youth for social and economic development in Zugdidi” executed by SOS-Kinderdorf (Austria), Stafflerstraße 10a, 6020 Innsbruck, Austria, with SOS Children’s Villages Georgia (Al. Kazbegi Ave. 11, 0160 Tbilisi, Georgia) as implementing partner in the Zugdidi district in the Republic of Georgia.

## OBJECTIVES OF THE AUDIT

* verify sound financial management and accuracy of book keeping on the basis of original vouchers
* stamping of original vouchers
* verity plausibility of expense items
* verify compliance of expenses with budget items
* verify that the financial statements provide a true picture of the project’s finances

## BACKGROUND OF THE PROJECT

The aim of the project is to strengthened families and empowered youth for social and economic development in Zugdidi.

As it is not possible to bring original vouchers out of Georgia, it is necessary to carry out an audit of the implementing partners’ bookkeeping with reference to the financial statement and allocated budget for the project.

The project duration is **3 years**. The project started on January 1, 2023. A Partnership Agreement between SOS-Kinderdorf (Austria), SOS Children’s Villages International and SOS Children’s Villages Georgia as implementing partner was signed in March 17, 2023.

## ISSUES TO BE STUDIED

The audit should be conducted for the **three** years of project implementation (**January 2023 – December 2025**), in which a total number of approx. 2000 vouchers will have been registered for the project. The approved total project budget in Donor’s currency for the three year period [**1st of January, 2023 - 31st of December, 2025**] amounts to EUR 600.000,00. So we ask you to:

* + Check that the expenses are recorded in the NGO’s accounts and are backed by originals of supporting evidence.
  + Check if financial transfers (bank, cash) are understandable and in line with reported expenditures.

## WORK PLAN

The audit shall be carried out in the implementing partners’ offices in SOS Children’s Villages Georgia National Office and Zugdidi office and comprises the investigation of bank statements, accounts and invoices.

For the first year [2023], the audit must be carried out between **January and February 2024** *(the exact schedule will be defined before the contract is signed)*. The audit report has to be written in English and Georgian. The first draft of the audit report should be submitted by **6th of March, 2024**. The final Audit report has to be sent to SOS Children’s Villages Georgia not later than **15th of March, 2024**.

The audit for the second [2024] and the third year [2025] must be carried out between **January and February in 2024 and 2026 respectively.** Before the contract is signed, the exact deadlines for submitting the reports will be specified.

## REQUIRED EXPERTISE

* + the expert auditor must not have been involved in the operation’s accounting
  + the expert auditor must not personally be connected in any way with the organisation being audited
  + the expert auditor must be an audit company registered in Georgia or Austria

## REPORTING

The expert auditor shall produce an audit report that clearly states:

* + Project number and name
  + Implementing organisation
  + Reporting period and currency
  + Exchange rates used in the Financial Project Report
  + Total amount of budgeted income and expenditures
  + Total amount of actual income and expenditures
  + Total Number of transaction examined during the Audit
  + Comments on not-accepted vouchers
  + Closing balance (including cash, bank and other assets, e.g. advance payments and outstanding checks)
  + Auditor's name, position, address, phone, fax and e-mail
  + Date, auditor's signature and authorization

The Auditor's Report should offer an opinion on the following areas:

* + Is the Financial Project Report in accordance with bookkeeping?
  + Do the received funds match the bookkeeping?
  + Does the bookkeeping match the vouchers?
  + Are there proper vouchers for all transactions?
  + Does the bookkeeping match the Official Bank Account Statements and Cash Book?

## MANDATE

The implementing organisation, SOS-Children´s Villages Georgia, will provide the external auditor with the following material and sources:

* + Project contract of Austrian Development Agency and Partnership Agreement between SOS-Kinderdorf (Austria), SOS Children’s Villages International and SOS Children’s Villages Georgia (local partner).
  + Terms and Conditions for Grants approved by ADA in March, 2023 (General Terms and Conditions to the Austrian Development Agency´s Grant Agreement for Support in the Field of Development Cooperation: <https://www.entwicklung.at/en/media-centre/downloads>).
  + [Guidelines for Expenditure Verification (provided by ADA, June 2023).](https://www.entwicklung.at/fileadmin/user_upload/Dokumente/Zivilgesellschaft/GL_ExpenditureVerification_June2023.pdf)
  + Final project reports with financial reports (including financial statements and list of bills)
  + Project Proposal
  + Project Budget

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