**Terms of Reference**

**Audit of the project “Moldova Employment and Entrepreneurship Education and Training Activity – Phase IV”**

The following are the terms of reference (ToR) on which the *Centre for Entrepreneurship Education and Business Support* (the Beneficiary) agrees to engage *the audit firm* to perform an audit and to report in connection with the project “Moldova Employment and Entrepreneurship Education and Training Activity – Phase IV”, according to the Agreement Cooperation concluded by and between the *Foundation Liechtenstein Development Service (LED)* and the *Centre for Entrepreneurship Education and Business Support* (CEDA) on 15 February 2017.

## 1.1. Responsibilities of the Parties to the Engagement

* The Beneficiary is responsible for providing a Financial Report for the project implemented, which complies with the terms and conditions of the Agreement of Cooperation and for ensuring that this Financial Report can be reconciled to the Beneficiary’s accounting and bookkeeping system and to the accounts and records.
* The Beneficiary accepts that the ability of the Auditor to perform the procedures required by this engagement effectively depends upon the Beneficiary, providing full and free access to the Beneficiary’s staff and its accounting and bookkeeping system and its accounts and records.
* TheAuditor is responsible for performing the agreed-upon procedures as specified in this ToR, and for submitting a report of factual findings to the Beneficiary. ‘Auditor’ refers to the audit firm contracted for this engagement and in particular to the person in the audit firm who is responsible for the engagement and for the report that is issued on behalf of the firm/entity, and who has the appropriate authority from a professional, legal or regulatory body.

By agreeing to these ToR, the Auditor confirms that s/he meets the following conditions*:*

* The Auditor and/or the firm 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).
* The Auditor and/or the firm asserts that s/he has both the knowledge and competence to apply the IFAC standards and ethics set out in these ToR and commits himself/herself//itself to undertake this engagement in accordance with the IFAC standards and ethics set out in these ToR.

## 1.2 Subject of the Engagement

The subject of this engagement is the annual Financial Report in connection with the Agreement of Cooperation for the period covering: 01.03.2019–29.02.2020 and the project entitled ““Moldova Employment and Entrepreneurship Education and Training Activity – Phase IV”, the 'Project'.

## 1.3 Standards and Ethics

The Auditor shall undertake this engagement in accordance with:

* 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 with regard to integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards.

## 1.4 Procedures, Evidence and Documentation

The Auditor plans the work so that effective audit can be performed. The Auditor performs the procedures according to the Listing of Specific Procedures to be performed. The evidence to be used for performing these procedures is all financial and non-financial information which makes it possible to examine the expenditure claimed by the Beneficiary in the Financial Report. The Auditor uses the evidence obtained from these procedures as the basis for the report of factual findings. The Auditor documents matters which are important in providing evidence to support the report of factual findings, and evidence that the work was carried out in accordance with these ToR.

## 1.5 Audit Report

In the report the auditor is expected to express the opinion of the correctness of the financial

report submitted by the partner organization to the donor or explain and quantify

adjustments to the financial report. Besides, the auditor is to formulate recommendations for

the improvement of accounting procedures.

1.5.1. The audit report shall contain the following information:

* Date and place of audit, name of audit company;
* Auditors opinion (addressing all questions indicated below in Listings of Specific Procedures to be performed);
* Name of project and partner organization, incl. subcontractors;
* An opinion on the adequacy of the management, accounting system, internal control of the partner organization
* Period covered by the audit;
* Description of audit procedures applied and findings on financial information;
* Balance sheet, statement of income and expenses, list of proposed adjustments,
* other relevant matters;
* Consolidated financial statement of the partner organization;
* Analysis of the statement of funds received from LED and other donors;
* List of staff, how much each person was remunerated per project (as stated in budgets and financial reports);
* Recommendations on accounting procedures;
* Analysis of the financial report (comparison of budgeted and executed expenses);
* List of inventories and fixed assets acquired by the project during the accounting period under review, if applied;
* Management’s general representation letter in relation to the financial audit.

1.6 Other Terms

The report of factual findings must be provided by the Auditor to the Beneficiary until 10.04.2020.

Listing of Specific Procedures to be performed

# 1 General Procedures

## 1.1 Terms and Conditions of the Grant Agreement

The Auditor obtains an understanding of the terms and conditions of the Agreement of Cooperation by reviewing the Agreement and its annexes, and other relevant information. The Auditor obtains a copy of the original Agreement of Cooperation with its annexes. The Auditor obtains and reviews the Report (which includes a narrative and a financial section).

## 1.2 Financial Report

The Auditor verifies that the Annual Financial Report submitted to the donor complies with the conditions of the Agreement of Cooperation.

## 1.3 Rules for Accounting and Record keeping

The Auditor examines – when performing the procedures listed in this document - whether the Beneficiary has complied with the rules for accounting and record keeping:

- The accounts kept by the Beneficiary for the implementation of the project must be a complete and accurate record of the real and authorized transactions financed by the grant;

- The Beneficiary must have a double-entry book-keeping system;

- The accounts for income and expenditure relating to the project must be easily identifiable and verifiable;

- The accounts must provide details of interest accrued on funds paid by LED. The Auditor reviews the internal control system and expresses an opinion on whether the partner organization have an adequate internal control system to ensure a correct financial management.

## 1.4 Reconciling the Financial Report to the Beneficiary’s Accounting System and Records

The Auditor verifies the reconciliation of the information in the Annual Financial Report to the Beneficiary’s accounting system(s) and records (e.g. trial balance, general ledger accounts, sub ledgers etc.).

## 1.5 Exchange Rates

The Auditor verifies that amounts of expenditure incurred in MDL have been converted to EUR at the appropriate exchange rate.

**1.6** **Overall Funding**

The Auditor verifies the overall funding that the partner organization received from different sources during the audited project year. The Auditor shows, in a table format, all funds received by the partner organization, not only the funds received from LED.

**1.7** **Staff Remuneration**

The Auditor presents, in table format, the distribution of the remuneration of the staff of the partner organization across all the projects implemented by the partner organization as well as the overall workload (in percent) charged for each project during the duration of the audited period.

**1.8.      Follow-up on recommendations of prior audits**

The Auditor checks whether recommendations from the prior audits (if there are) have been followed-up upon by the Beneficiary and gives an opinion on the measures to be taken by the Beneficiary.

# 2 Procedures to verify conformity of Expenditure with the Budget and Analytical Review

## 2.1 Budget of the project

The Auditor carries out an analytical review of the expenditure headings in the Financial Report.

The Auditor verifies that the budget in the Financial Report corresponds with the budget of the Agreement of Cooperation and with the factual expenditures done in the framework of the Project.

# 3 Procedures to verify selected Expenditure

## 3.1 Eligibility of Costs

The Auditor verifies, for each expenditure item selected, the eligibility criteria set out below.

*(1) Costs actually incurred*

The Auditor verifies that the expenditure for a selected item was actually incurred by and pertains to the Beneficiary. For this purpose, the Auditor examines supporting documents (e.g. invoices, contracts) and proof of payment. The Auditor also examines proof of work done, goods received, or services rendered, and s/he verifies the existence of assets if applicable.

*(2) Cut-off - Implementation period*

The Auditor verifies that the expenditure for a selected item was incurred during the implementation period of the project.

*(3) Budget*

The Auditor verifies that the expenditure for a selected item was indicated in the project budget and was foreseen to be incurred by the Beneficiary.

*(4) Necessary*

The Auditor verifies whether it is plausible that the expenditure for a selected item was necessary for the implementation of the project and that it had to be incurred for the contracted activities of the project by examining the nature of the expenditure with supporting documents.

*(5) Records*

The Auditor verifies that expenditure for a selected item is recorded in the Beneficiary’s accounting system and was recorded in accordance with the applicable accounting standards of the country where the Beneficiary is established.

*(6) Justified*

The Auditor verifies that expenditure for a selected item is substantiated by evidence and notably the supporting documents.

*(7) Valuation*

The Auditor verifies that the monetary value of a selected expenditure item agrees with underlying documents (e.g. invoices, salary statements) and that correct exchange rates are used where applicable.

*(8) Classification*

The Auditor examines the nature of the expenditure for a selected item and verifies that the expenditure item has been classified under the correct heading of the Financial Report.

## 3.2 Non-eligible costs

The Auditor verifies that the expenditure for a selected item does not concern a non-eligible cost.

The Auditor verifies whether expenditure includes certain taxes, including VAT. If this is the case the Auditor verifies whether the Beneficiary cannot reclaim these taxes and whether the applicable regulations, rules and practices in the country concerned allow the coverage of these taxes in the expenditure.

## 3.3 Revenues of the Project

The Auditor examines whether revenues which should be attributed to the project (for example interest earned) have been recorded in the accounting system and disclosed in the Financial Report.