



**TERMS OF REFERENCE FOR AUDITOR'S FINANCIAL REVIEW**  
*(Agreed-upon procedures engagement)*

**1. Introduction**

The following are the terms of reference ('ToR') on which **Action Against Hunger**, 'the Beneficiary' agrees to engage ----- 'the Auditor' to perform an expenditure verification and to report in connection with a **Ajuntament de Barcelona** (Barcelona Municipality) financed grant contract for external actions concerning the following project:

<b>Information about the Grant Contract</b>	
Reference number and date of the Grant Contract	<b>Resolución CG18/44 PR/42</b> Signed on 27th December 2018
Donor	Ajuntament de Barcelona
Grant contract title	<b>Apoyo a las cantinas escolares durante la inseguridad alimentaria de 2018-2019 en la Región de Matam, Senegal".</b>
Country	Senegal
Beneficiary	FUNDACION ACCION CONTRA EL HAMBRE
Start date of the Action	1/12/2018
End date of the Action	31/12/2019
Duration of the Action	1 year
Total Cost of the Action	<b>Euro 163.000,00</b>
Total cost of Barcelona Funds	<b>Euro 100.000,00</b>

**Project Summary:**

The project will be implemented in 06 primary schools improving the food security of students in a context of acute food shortage, due in 2017 and 2018 to an agro-pastoral situation characterized by a poor spatial-temporal distribution of rainfall in northern Senegal.

The existence of an external audit report allows the entity to justify the financial report of the grant according to the supporting account procedure.

In order to ensure justification for the financial report according to the supporting account procedure, the Beneficiary is required to recruit an independent auditor ("the Auditor"), having the required professional competence and experience, registered in the ROAC (Official Register of Auditors in Spain) dependent on the Accounting and Auditing Institute,

or be linked to a recognized auditing entity, provided that certifies the linkage and responsibility of the firm that signs the report, or be a person or Audit entity of the executing country (previous certification that it is qualified for it according to local law).

By agreeing to this ToR the Auditor also confirms that he/she meets at least one of the following conditions:

1. 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).
2. The Auditor and/or the firm is a member of a national accounting or auditing body or institution. Although this organization is not member of the IFAC, the Auditor commits him/herself to undertake this engagement in accordance with the IFAC standards and ethics set out in this ToR.
3. The Auditor and/or the firm 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).
4. The Auditor and/or the firm is registered as a statutory auditor in the public register of a public oversight body in a third country; 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).

This audit firm is required to conduct a thorough review of the full supporting account procedure of the financial report, and issue a report on this, according to the rules of application on audits to public grants.

For this purpose, the financial review of the grant contract is to be carried out by an independent auditor ("the Auditor"), having the required professional competence and experience.

## **2. Overall objectives of the financial review**

The Auditor is required to plan, execute and report on the financial review engagement in order to form a professional judgment on the following matters relating to the activities and the organization of the partner:

### **2.1. Financial report regularity (see also 6. Detail financial review procedures) and Administrative documents verification**

**The auditor will verify and report** the existence of the documents as per Table 2.1.

<b>Table 2.1. Financial Report documents</b>
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1. **Financial report (according to the donor templates)**
2. **Budget itemisation** of expenses and fixed assets according to chapters and donors
3. Summary of the Financial Execution
4. **Cash flow statement**
5. **List of employees and volunteer staff**
6. **List of transfers and exchange operations**
7. A **classified list of all expenses** and investments made with charge to all the funds contributed to the intervention, regardless of the source of founding.
8. **Bank Certificates of financial revenue (if any)**
9. **Certificate of obtaining other grants (if any): Declaration of responsibility** by the legal representative of the awardee organisation or group in which it states whether or not **any other grant has been obtained** from public administrations or national or foreign public or private bodies, and the sum obtained, where applicable.
10. **Certifications of other co-funding / Certification of local partners and other public or private financing entities** on their contributions, clearly stating the sums and the reference to the framework agreement, project or measure in question.
11. **Certificate indicating the deposit location of the original's documents.**
12. **Donation certificates (and registration in public bodies if necessary)**
13. **Verification that the indirect taxes are not reimbursable or, if they are, that they have not been reimbursed.**
14. Supporting documents of **bank transfers and exchange rates.**
15. **Supporting documents accrediting each individual expenditure**
16. **Visibility appropriate**

The Auditor will inform in case that any of the project relevant documents or the final financial report ones have not been provided or about difficulty to access to any document and the reasons.

## 2.2. Adequacy and effectiveness of expenses justifications;

The auditor will revise the correct justification of the expenses taking into consideration but not only some of the **following possible incidences**

<b>Table 2.2. Possible Incidences</b>
1. Non-eligible expenditure as per donor rules
2. Supporting documents do not exist, amount is not identified or no payment document available.
3. Document provided by the local partner
4. Document provided by a person or entity linked to the grant awardee
5. The diligence does not appear in the original document
6. Copy without having been legalised
7. Receipt without prior authorisation
8. Lack of contract
9. Per diem format does not comply with the rule (specify in observations)
10. It does not correspond to the nature/type of expenditure
11. Allocation of non-reimbursable indirect tax with a certified declaration.
12. Concept Description, provider or client identification, expenditure or payment date are incomplete

The auditor will also **revise the compliance of the following matters:**

<b>Table 2.3. Project Related matters</b>
1. All substantial changes and the related expenses have been prior authorised by the donor.
2. Fixed assets, buildings constructions or rehabilitation have been transferred / donated according to Barcelona Municipality regulations
3. Minimum of 3 offers from different providers (for expenditure funded by the City Council) for construction works exceeding 50,000 € and 18,000 € in case of an equipment, supplies or services by companies
4. Conformity of local contracts with local legislation currently in force
5. Human Resources management during the project (labor contracts, SS payments, insurance, payrolls, etc.)
6. Any Purchase of goods or supplies, or any Contracting works outside the local market has been done with a prior authorisation by the donor.
7. Lack of “conflict of interest” between the contracting entities or persons related to the grant awardee or their partners local.
8. Type of Exchange Rate Applied.
9. Expenditure has been done during the eligibility period, not before or after.
10. Arithmetic exactitude of the accounts, supporting documents and financial statements and reports

**2.3. Conformity with budget objectives and adherence to contract conditions;**

The budget main headings deviation is less than 15%.

**3. Documents of reference**

The following documents are to be considered by the auditor as a basic reference for performing the financial review:

**Project/program:** Grant contract signed with the donor and its annexes/amendments;  
Project Terms of Reference (TOR);  
Budgets, financing plans, programs of project activities;  
Final financial statement and narrative report;  
Project management procedures;  
Any other documents related to the project.

**Accounting:** Accounting documents subject to the financial review;  
Treasury and bank statements relates to the action;  
Financial and activity reports concerning the project.

**Auditor:** The present mandate and the related terms of reference;  
Prior internal and external audit reports of the partner;  
Any other information requested from the partner by the Auditor.

#### 4. **Applicable Legislation**

- *Ordre EHA/1434/2007 de 17 de maig.*
- *Convocatòria de concurs públic per a la concessió de subvencions en el marc del "Programa de Cooperació per a la Justícia Global", "Programa de Cooperació per a la Justícia Global a Ciutats Específiques" i "Programa d'Educació per a la Justícia Global (2016).*
- *Llei 38/2003, de 17 de novembre, General de Subvencions.*
- *"Bases per sol·licitar i atorgar subvencions a les entitats dedicades a l'àmbit de la Justícia Global i la Cooperació Internacional" (BOPB 24 de març de 2016).*

#### 5. **Planning the financial review**

The Auditor shall adequately plan the financial review engagement well in advance of the work and ensure the execution of a financial review of highest professional quality in an economical and efficient manner and within the agreed timetable.

Based on the information received during the planning phase, the Auditor will determine:

- The type of transactions to be reviewed and the review method (full sample);
- The type of physical verifications to be selected (full sample);

The Auditor undertakes to ensure continuity in the review approach of the financial review engagement and the review team, even if there is a change in the leader of the review team from prior year.

#### 6. **Place of financial review**

ACF office, located in Dakar, Senegal. ACF will provide hard copies.

#### 7. **Timeframe**

The timeframe for performing financial reviews (Agreed upon procedure) will be as follow:

<b>Grant Contract no. 1)</b>	
Donor	Ajuntament de Barcelona
Grant contract title	<b>Apoyo a las cantinas escolares durante la inseguridad alimentaria de 2018-2019 en la Región de Matam, Senegal".</b>
Submission of proposal	23/11/2019
Expected starting date	16/03/2020
Delivery of 1 <sup>st</sup> draft report	20/03/2020
Deliver of final report	27/03/2020

## 8. Detail financial review procedures

The auditor is expected to select and apply any other review procedures that he may consider necessary in the professional execution of the financial review engagement.

- a) Analyze all the guidelines of the grant in order to know the obligations of the beneficiary and of the auditor about the review to be done.
- b) Require the justificative account and verify that it has been done according to the guidelines and that it has been approved by a person with enough power to do so.

### Financial regularity

#### Project related matters:

- a) Authorizations of expenditures and validity with supporting documents,
- b) Revision of the whole expenditure justifying documents,
- c) Details of funds received for the project and reconciliation with the information supplied by the donor(s),
- d) Physical existence and movements of the goods representing the property of the project (fixed assets, inventory items, current assets);
- e) Allocation of expenditures in conformity with the budget(s),
- f) Conformity of local contracts with local legislation currently in force,
- g) Logistics and procurement procedures,
- h) Human Resources management during the project (labor contracts, Social Security payments, insurance, payrolls, etc)
- i) Stocks and stock control monitoring and follow up
- j) Visibility appropriate

- All documentation attesting the work performed by the auditors shall be kept by the Auditor for a minimum period of 8 years from the date of issuance of the report.
- Two bounded copies of each report must be submitted to Action Against Hunger office in Madrid and one soft copy. The report of the Auditor must be in Spanish.
- The Auditor will request the Beneficiary, at the end of the assignment, a letter, signed by the person responsible, stating that the auditor has been informed about all the circumstances that may affect the correct perception, application and justification of the grant; As well as other relevant statements that may serve as evidence to the auditor about the Procedures undertaken. This statement letter (Art.3.2.) will form part of the audit report.

Upon receipt of the financial review report, the donor or any third persons designated by the donor reserve the right to request other review procedures to cope with the change in circumstances in the project or of the organization of the partner.

## 9. Closing meeting

After completion of the financial review engagement, but before leaving the project or the premises of the partner, the Auditor shall hold a closing meeting with the persons responsible for the project and the staff responsible for accounting and reporting. The

meeting shall address the results of the project review, discuss major weaknesses in the administrative and financial management (including the authority of individual staff members) and propose recommendations to improve the project management, the accounting procedures and the system of internal control.

**10. Auditor's financial review report**

The final audit report will be made in accordance with the established by order EHA/1434/2007, of 17 May, which approves the standard of performance of auditors in carrying out the work of auditing accounts justifying subsidies.