



TERMS OF REFERENCE
for Annual Audit for Project
“Western Balkans Civil Society Development Hub”

1. BACKGROUND INFORMATION

1.1. Contracting Authority

The contracting authority is the Balkan Civil Society Development Network (BCSDN) Executive Office, Skopje.

1.2. Legal Basis

The legal basis for this assignment derives from the Sida Contribution Agreement No. 15515 signed between the Swedish International Development Cooperation Agency (Sida) and the Balkan Civil Society Development Network (BCSDN), where Sida has agreed to provide financial support to the project “Western Balkans Civil Society Development Hub”.

1.3. Relevant Background

Balkan Civil Society Development Network (BCSDN) is a network of civil society organizations from the wider Balkan region (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Republic of North Macedonia, Romania, Slovenia, Serbia, and Turkey). Our mission is to protect and expand the civic space through evidence-based and collaborative policy influence on international, European, and national level.

Our goals and objectives are the following:

1. Advocating for the protection and expansion of the civic space;
2. Securing more favorable donor practices for protection and expansion of the civic space; and
3. Strengthening the internal mutual learning of the network, coordination, and collaboration for strengthened advocacy on civic space.

BCSDN’s target groups are CSOs working on civil society development in the Balkan region. The direct beneficiaries are local civil society development and resource organizations. With its activities, the network targets stakeholders such as national institutions and international governmental organizations, national public bodies and/or offices for cooperation with CSOs in member countries, EU institutions, the Council of Europe, the Regional Cooperation Council, the Western Balkan Fund and related inter-governmental initiatives in the Balkan region.

Following BCSDN’s and its members’ common vision to strengthen a vibrant, pluralistic and rights-based civil society in the Balkans, in 2019 BCSDN, with the financial support provided by Sida, established the Regional Civil Society Development Hub to enhance cooperation and resilience of CSOs in the Western Balkans countries. Following the successful implementation of the pilot phase of the RSCD Hub, in the summer of 2023, Sida extended its financial support to BCSDN ensuring funding for the implementation of the project “Western Balkans Civil Society Development Hub” (hereinafter referred to as the Project) which was initiated in July 2023.

BCSDN through this Project aims to contribute to evidence-based advocacy for civic space, increased understanding of the enabling environment, and stronger regional cooperation for civic space in the Western Balkans thus contributing to a more enabling environment for civil society development and

functioning democracies. The Hub will support the monitoring and advocacy activities of the network as well as the efforts of other accountable CSOs that will contribute to BCSDN's efforts in protecting and expanding the civic space in the Western Balkans.

2. DESCRIPTION OF THE ASSIGNMENT

2.1. Mandatory and specific assignments

BCSDN wishes to engage the services of an audit firm to perform an audit of the annual financial reports for the period 1 July 2023 to 30 June 2027 for the project "Western Balkans Civil Society Development Hub", as submitted to Sida and express an audit opinion according to ISA, applying ISA 800/ ISA 805, on whether the financial reports of the project are in accordance with the BCSDN's accounting records and Sida's requirements for financial reporting as stipulated in the agreement including appendices between Sida and BCSDN.

The audit shall be carried out in accordance with the international audit standard issued by IAASB. In addition, the assignment according to International Standards on Related Services (ISRS) 4400 (Revised) shall be carried out. The audit and the additional assignment shall be carried out by an external, independent and qualified auditor.

Mandatory procedures that must be included:

1. Observe whether the financial report is structured in a way that allows for direct comparison with the latest approved budget¹.
2. Observe and inspect whether the financial report provides information regarding:
 - a) 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.
 - b) When applicable, compare if the opening fund balance² for the reporting period matches with what was stated as the closing fund balance in the previous reporting period.
 - c) A disclosure of exchange gains/losses. Inquire and confirm whether the disclosure includes the entire chain of currency exchange from Sida's disbursement to the handling of the project within the organisation in local currency/ies, if applicable.
 - d) Explanatory notes (such as, for instance, accounting principles applied to the financial report).
 - e) Amount of funds that has been forwarded to implementing partners, when applicable.
3.
 - 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:

- b) Inquire and inspect whether there are supporting documentation³ for debited salary costs.
- c) 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 is performed.
- d) Inspect whether BCSDN comply with applicable tax legislation with regard to personal income taxes (PAYE)⁴ and social security fees.

¹ The budget is attached to the agreement with Sida as an annex and any updates should be supported by written approval by Sida.

² I.e. funds remaining from disbursements made during previous reporting period/s

³ Debited salary costs should be verified by supporting documentation such as employment contracts.

⁴ Pay as You Earn

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 sanction lists of persons, groups and organizations (EU Sanctions list).

Enquire whether there has been any reported findings from the screening process and if so, report on such findings.

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 the final year:** Inspect and confirm the unspent fund balance (including the exchange gains) in the financial report and confirm the amount that shall be repaid to Sida.

Follow up of funds that are channeled to implementing partners

Mandatory assignments that must be included if BCSDN forwards funds to implementing partners (IP's):

Choose a sample of a minimum of 40% of the total disbursed funds as well as 40% of the number of IP's or a maximum of 10 IP's.

6. Inspect and confirm whether BCSDN has signed agreements with the selected IP's.
7. Inspect and confirm whether BCSDN in all agreements entered with IP's, included the requirement to carry out annual audits. The requirement shall specify that these audits shall be carried out with application of ISA (reporting according to ISA 800/805) and a separate assignment according to ISRS 4400 (Revised) should be included for project support. If agreements regarding core support are entered into with IP's, the audit shall be conducted in accordance with ISA 700 or National standards on auditing.
8. Inquire and inspect whether BCSDN has received financial reports and audit reports from all IP's included in the selected sample:
 - a) Inquire and inspect whether BCSDN has verified if reports from IP's are in line with the requirements in the agreement.
 - b) Inquire and inspect whether BCSDN has documented its assessment of the submitted financial reports and reporting from auditors including management responses and action plans from selected IP's.
 - c) Inquire and inspect whether BCSDN has documented its follow-up actions based on the information provided in the financial reports and the reporting from the auditor of the selected IP's.
 - d) Inquire and inspect whether BCSDN has reported substantial observations⁵ from selected IP's audit reports in its communication with Sida. List observations⁶ from IP's audit reports which have been part of this sample.
9. Confirm whether BCSDN has followed-up grants in accordance with the requirements as described in article 8.8 in the Agreement and Appendix G to the Agreement. Obtain a list of all IP's that are affected by the decision to book expenses in BCSDN's accounting system and select 40% or a maximum of 15 IP's. Inspect and confirm whether the selected IP's have been followed up in accordance with the requirements in the annexed routines.

⁵ Deemed substantial by BCSDN.

⁶ Observations included in Management Letter and if applicable, qualified audit reports.

2.2. Reporting

The reporting shall be signed by the responsible auditor (not just the audit firm⁷) and shall include the title of the responsible auditor.

Reporting from the ISA assignment

The reporting from the auditor shall include an independent auditor's report in accordance with 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.

The reporting shall 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 BCSDN to address weaknesses identified in previous audits shall also be presented in the Management Letter. If the previous audit did not have any findings or weaknesses to be followed up on, a clarification of this must be disclosed in the audit reporting.

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.

Reporting from the ISRS 4400 (Revised) assignment

The additional assignment according to agreed upon procedures ISRS 4400 (Revised) under Section 2.1, shall be reported separately in an "Agreed-upon procedures report". Performed procedures should be described and the findings should be reported in accordance with the requirements in the International Standard on Related Services 4400 (Revised).

When applicable, the sample size shall be stated in the report.

2.3 Periods covered with the financial reports

The audit shall be performed for the financial reports covering the following reporting periods:

- a) BCSDN Financial Report for the period 1 July 2023- 30 June 2024 – audit report should be issued by 15 October 2024 at the latest.
- b) BCSDN Financial Report for the period 1 July 2024- 30 June 2025– audit report should be issued by 15 October 2025 at the latest.
- c) BCSDN Financial Report for the period 1 July 2025- 30 June 2026– audit report should be issued by 15 October 2026 at the latest.
- d) BCSDN Financial Report for the period 1 July 2026- 30 June 2027– audit report should be issued by 15 October 2027 at the latest.

3. SELECTION CRITERIA

The service provider must have experience in conducting audits in accordance with ISA or INTOSAI standards. The audits must be undertaken by staff with professional qualifications and suitable experience with the applicable standard, including experience in conducting audits of similar size and nature. CVs of all members of the audit engagement team must be provided in the bidders' offer. The CV of each team member must include details on relevant professional qualifications, education and

⁷ If the audit firm is obliged to sign, refer to relevant legislation. Sida still needs to know who has been responsible for the audit assignment.

experience in undertaking audits of similar size and nature. Work experience descriptions must include details on the responsibilities assumed for completed and ongoing audit engagements.

The evaluation of the offers will be based on the following selection criteria:

- Full member of the international accounting network.
- Experience with international standards of auditing ISA 800/805 and ISRS 4400 (Revised).
- Experience in auditing multi-country projects, especially in the Western Balkans.
- At least five years of auditing experience in the non-profit sector, working with civil society organizations in the Western Balkan (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Macedonia, and Serbia).
- At least 5 audit engagements of Sida-funded projects/programmes in the last 3 years (starting from June 2021).
- Proficient knowledge of the English language.

The selection of the best bidder will be made based on the “best value for money approach”, where 80% for technical qualifications and 20% for the financial proposal.

4. DURATION

The tentative start date will be August 2024. The actual commencement of the assignment will be officially notified by the contracting authority. The duration of the assignment is until late autumn 2027.

5. PAYMENT TERMS

Payment will be made within 10 working days upon delivery of the respective audit report(s).

6. HOW TO APPLY

In English to this mail address: executiveoffice@balkancsd.net with the subject Audit for the project “Western Balkan Civil Society Development Hub”.

Deadline for application: ~~24:00 Central European Time on 8 July 2024.~~

EXTENDED: 12:00 PM (noon) Central European Time on 12 July 2024

Please note that any applications received after 12:00 PM (noon) on 12 July 2024 will not be considered for evaluation.