

I. INTRODUCTION

Non-governmental organization “Razumkov Centre” (hereinafter, the Organization) wishes to engage the services of an audit firm for the purpose of auditing the Organization. The audit shall be carried out in accordance with international audit standards issued by The International Auditing and Assurances Standards Board (IAASB). The audit shall be carried out by an external, independent and qualified auditor (Certified Public Accountant/Authorized Public Accountant or equivalent). These terms of reference set out objectives, scope and reports required from the auditor.

II. OBJECTIVES AND SCOPE OF AUDIT

The audit shall be carried out in accordance with ISA¹, issued by IAASB². The objectives of the audit are the following:

2.1 Audit of Sida funds

- a) express an independent audit opinion on whether the special purpose **Report on the Receipt and Use of Funds** prepared for the period **01.01.2016 – 31.12.2016** is prepared in accordance with the budget and terms of the Agreement (55070041) with the Swedish International Development Cooperation Agency (Sida) signed 30 July 2013, and Agreement Amendment signed 15 January 2014.
- b) Assess control risk and identify significant deficiencies, including material weaknesses, to the extent of the auditing procedures necessary for expressing the opinion; summarize the findings on the Organization’s **internal control issues**.
- c) Determine if the Organization has taken adequate corrective action on **prior audits** recommendations.

The auditors must review and briefly describe in the summary section of the audit report the status of actions taken on findings and recommendations reported in prior audits of the Organization.

- d) Evaluate the **compliance** of the Organization with obligations/provision in **the Agreement** between Sida and the Organization signed 30 July 2013, and Agreement Amendment signed 15 January 2014.

2.2 Audit of General Purpose Financial Statements

The objective of the audit is to:

- a) Express an independent audit opinion on whether the Organization’s **financial statements** present fairly, in all material respects the financial position **as of December 31, 2016**, and the results of its operations **for the years then ended**, in conformity with Ukrainian Accounting Standards (UAS).
- b) Assess control risk and identify significant deficiencies, including material weaknesses, to the extent of the auditing procedures necessary for expressing the opinion; summarize the findings on the Organization’s **internal control issues**.

¹ The International Standards on Auditing

² The International Auditing and Assurances Standards Board (IAASB)

- c) Determine if the Organization has taken adequate corrective action on **prior audits** recommendations.

The auditors must review and briefly describe in the summary section of the audit report the status of actions taken on findings and recommendations reported in prior audits of the Organization.

- d) Evaluate the **compliance** of the Organization with national **tax laws and regulations**.

2.3 Review of the Special Purpose Statement of Receipts, Expenditures of Donors' Funds and Funds balance (the Special Purpose Statement) conducted in accordance with the International Standard on Review Engagements 2400.

The objective of the review is to provide a moderate level of assurance that the **Special Purpose Statements** prepared for 2016 are free from material misstatements:

The **Special Purpose Statements** shall provide the following information:

- a) *Statements* on the flow of donor funds in the projects implemented by the Organization during 2016 (balance at the beginning of the period; received funds; expenditures; balance at the end of the period);
- b) *Note* to the Statements on the flow of donor funds, outlining monthly expenditures incurred by the Organization during FY 2016 with a breakdown by type of agreement:
 - 1) *Labor agreements (employed staff* based on the organization's staff schedule, indicating: first/last name/s, position held, full /part-time);
 - 2) *Non-labor agreements:*
 - 2.1 Agreements on provision/performance of services/works concluded *with private entrepreneurs* (indicating first/last name/s, types of services rendered)
 - 2.2 Civil-law agreements on provision/performance of services/works concluded *with physical persons* (indicating first/last name/s, types of services rendered)
 - 2.3 Intellectual property rights agreement/ Copyright agreements
 - 2.4 *Other types, if applicable*
- c) Provide information on the governing bodies of the Organization (including first / last name).

III. THE REPORTING OF THE AUDITOR

The auditor is expected to submit to the Organization:

3.1 The auditor's **report** in respect of the **Report on the Receipt and Use of Funds** prepared the **period 01.01.2016 – 31.12.2016**.

The **auditor's opinion** shall state whether the **Report** is prepared in accordance with the budget and terms of the Agreement with the Swedish International Development Cooperation Agency (Sida) signed 30 July 2013, and Agreement Amendment signed 15 January 2014.

The Report shall present the following information: budgeted amount, amount of spent funds (in USD), unspent balance (in USD). The report shall also state the amount of received funds (in USD).

3.2 The auditor's **report on compliance of the Organization** with the terms of the Agreement signed 30 July 2013, and Agreement Amendment signed 15 January 2014, prepared in accordance with the International Standard on Assurance Engagements (ISAE) 3000.

3.3 The independent auditors' reports in respect of **general purpose financial statements (FY 2016)**.

3.4 The review reports in respect of **Special Purpose Statement of Receipts, Expenditures of Donors' Funds and Funds balance (FY 2016)**.

3.5 Management letter

In conjunction with the audit, the external auditor should assess operating and *internal control procedures* that could be improved. Internal control weaknesses (findings), which are identified, should be reported by the external auditor in a formal Management Letter. The list of *findings* is not limited by the scope of work and the auditor is free to address further issues.

The Management Letter should also include the external auditor's *recommendations* to address any **weaknesses identified as well as matters of non-compliance with national tax laws and regulations** and the comments thereon by the Organization management. The recommendations should be presented in priority.

The auditors must determine if the Organization has taken adequate corrective action on prior audits recommendations, review and briefly describe the status of actions taken on findings and recommendations reported in prior audits of the Organization.

A draft of the Management Letter should be sent from the external auditors to Executive Director of the Organization, copied to Finance Director of the Organization, for comment on the findings and the recommended follow-up actions. The external auditor should then prepare the final Management Letter, briefly stating the comments by management. The final Management Letter should be addressed to the Executive Director with copy to the Chairmen of the Organization.

The reporting shall contain an assurance that the audit was performed in accordance with IAASB's international audit standards and by a qualified auditor.

The reporting shall contain the responsible auditor's signature, title and the name of the audit firm.

IV. TERMS OF PERFORMANCE

Deadlines of the audit arrangements:

- Contract negotiation and signing: until March 10th, 2017;
 - Audit field work to be completed: from March 10st till March 31st, 2017;
 - Draft audit report and management letter: until April 10th, 2017;
 - Final audit report and management letter: until April 10th, 2017.

The auditors' report will be provided directly to the Organization.

The original auditor's reports, management letter, reports on compliance shall be prepared both *in English and Ukrainian* each in **2 hard copies and one digital**.

V. ACCESS TO FACILITIES AND DOCUMENTS

The Organization will grant full and complete access to all records and documents (including Agreement with Sida) and all employees of the Organization the auditor deem necessary in order to provide a clear picture of the financial status of the Organization.

VI. AUDITOR SELECTION

The auditor must be completely impartial and independent from all aspects of management or financial interests in the Organization. The auditor should not, during the period covered by the audit or during the undertaking of the audit, be employed by, serve as director for, or have any financial, family or close business relationships, or any other relevant connection or shared interest with any senior participant in the management of the Organization. In this aspect, the Organization asks the auditor to disclose any relationship that might possibly compromise his/her independence.

6.1 Requirements to the applicant:

- 6.1.1 Legal status under legislation of Ukraine.
- 6.1.2 Understanding of the scope of audit work to be performed;
- 6.1.3 Overall capacity to carry out audit engagements, including availability of audit staff and supervisors with due expertise and qualification;
- 6.1.4 Qualification of the engagement team;
- 6.1.5 Proven experience in auditing nonprofit organizations in Ukraine;

Experience in auditing media nonprofit organizations is not a requirement but is considered as an advantage.

6.2 Key assessment criteria:

The maximum score on all criteria is 100 points

Criteria	The maximum number of points for each criterion	Detailed allocation criteria	The maximum score on subparagraphs
The cost of auditing services	30		
Experience	40	Experience of audit in accordance with International Standards on Auditing issued by the Council on international auditing standards and the assurance of reliability (IAASB)	10
		Experience the audit of public / non-profit organizations and Think Tank	20
		Experience the audit of NGOs for projects that run through financial support of SIDA	10

Reputation	30	The term of the audit firm for audit services market is at least 10 years	10
		Involvement of the audit of certified auditors who have worked auditor at least 5 years	10
		The lack of penalties by the UBA to the audit firm or its employees	10

6.3 List of documents to be submitted along with the Proposal:

- 6.3.1 Copies of registration documents (state registration certificate, taxpayer certificate, statement from statistics department);
- 6.3.2 Copy of the certificate on enrolment to the register of audit firms;
- 6.3.3 General information about the bidder, in particular (1) data on the general number of qualified staff, seniors and managers to fulfill the set task; (2) information about auditing firm's experience in auditing the purpose usage of funds by non-profit organizations;
- 6.3.4 Copy of a positive conclusion of the Audit Chamber of Ukraine based on the results of external assessment of the professional services quality control systems valid as of the date of submitting documents for this tender (if available);
- 6.3.5 Copies of auditors' certificates.

Documents should be sent by e-mail to Arsen Stetskiv stetskiv@razumkov.org.ua In the subject line should be marked: Audit 2016.

The deadline for submission: March 6, 2017, 23:59 Kyiv time. Proposals submitted after the deadline will not be evaluated.

The decision of the tender committee of the Organization will be announced until March 10, 2017. All organizations that submitted proposals in the specified time, will be notified about the decision.