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**TERMS OF REFERENCE FOR INDEPENDENT AUDIT**

1. **INTRODUCTION**

Detector-Media Non-Governmental Organization is a media platform and sustainable think-tank that promotes the formation of democratic, free and professional media in Ukraine as well as the making up of the critical, thoughtful and sensible media consumer.

It was founded in 2004 under brand *Telekritika* and was rebranded in April 2016 as *Detector-Media*.

It has responsibility to the Swedish International Development Cooperation Agency (SIDA), represented by the Embassy of Sweden in Kyiv, as well as other donors, like Internews Network Inc., the Council of Europe, Organization for Security and Co-operation in Europe, Ministry of Foreign Affairs of the Czech Republic; Ministry of Foreign Affairs of the Netherlands, International Renaissance Foundation, for proper financial management of funds.

These terms of reference set out objectives, scope and reports required from the auditor.

1. **BACKGROUND**

On August 9th, 2016 the Organization signed Agreement with SIDA to support its core activities to ensure sustainable development of the organization.

The implementation period is 1 July 2016 – 30 June 2019 with the ceiling budget of 6,000,000 SEK. Forecasted expenditures in 2016 under the project shall be around $ 100 thousand.

It shall be noted that total assets of the Organization as of 31.12.2015 exceeded UAH 917 thousand; whereas total receipts (under all projects) - UAH 10 mio. The results for 2016 are expected to increase by around 20% compared to 2015.

Being non-for profit organization, it is not payer of VAT and corporate profits tax.

1. **ACCOUNTING AND REPORTING STANDARDS**

The Organization prepares General Purpose Financial Statements in accordance with the Ukrainian Accounting Standards (UAS).

Reports required by donors are prepared according to donors’ guidelines.

1. **OBJECTIVES AND SCOPE OF AUDIT**

The audit shall be carried out in accordance with ISA[[1]](#footnote-1), issued by IAASB[[2]](#footnote-2). The objectives of the audit are to:

* 1. **Audit of SIDA funds**
1. express an independent audit opinion on whether the special purpose **Report on the Receipt and Use of Funds** prepared for the period **01.07.2016 – 31.12.2016** is prepared in accordance with the budget and terms of the Agreement with the Swedish International Development Cooperation Agency (SIDA) dated 09.08.2016.
2. 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.**
3. 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.

1. Evaluate the **compliance** of the Organization with obligations/provision in **the Agreement** between SIDA and the Organization dated 09.08.2016, specifically:
	* Article 5 “Undertakings by Detector Media”
	* Article 7 “Repayment”
	* Article 8 “Audit”
	* Article 11 “Reports and other documents”
	* Article 14 “Procurement”
	* Article 16 “Anti-corruption and conflict of interest”
	1. **Audit of General Purpose Financial Statements**

The objective of the audit is to:

1. 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, 2015 and December 31, 2016,** and the results of its operations and cash flows **for the years then ended**, in conformity with Ukrainian Accounting Standards (UAS).
2. 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.**
3. 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.

1. Evaluate the **compliance** of the Organization with national **tax laws and regulations.**
	1. **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 on a cash basis, for 2015 and 2016, are free from material misstatements:

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

1. *Statements* on the flow of donor funds in the projects implemented by the Organization during 2015 and 2016 (balance at the beginning of the period; received funds; expenditures; balance at the end of the period);
2. *Note* to the Statements on the flow of donor funds (the template is provided in Annex A), outlining monthly expenditures incurred by the Organization in respect of all physical persons and physical persons-entrepreneurs during FY 2015 and FY 2016 with a breakdown by type of agreement:
3. *Labor agreements (employed staff* based on the organization’s staff schedule, indicating: first/last name/s, position held, full /part-time);
4. *Non-labor agreements:*
	1. Agreements on provision/performance of services/works concluded *with private entrepreneurs* (indicating first/last name/s, types of services rendered)
	2. Civil-law agreements on provision/performance of services/works concluded *with physical persons* (indicating first/last name/s, types of services rendered)
	3. Intellectual property rights agreement/ Copyright agreements
	4. *Other types, if applicable*
5. Provide information on the governing bodies of the Organization (including first / last name).
6. **THE REPORTING OF THE AUDITOR**

The auditor is expected to submit to the Organization:

* 1. The auditor's **report** in respect of the **Report on the Receipt and Use of Funds** prepared on a cash basis **the period 01.07.2016 – 31.12.2016.** The auditor’s report must include

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) dated 09.08.2016.

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).

* 1. The auditor's **report on compliance of the Organization** with the terms of the Agreement signed with SIDA on09.08.2016, prepared in accordance with the International Standard on Assurance Engagements (ISAE) 3000.
	2. The independent auditors’ reports in respect of **general purpose financial statements (FY 2015 and FY 2016)**.
	3. The review reports in respect of **Special Purpose Statement of Receipts, Expenditures of Donors’ Funds and Funds balance (FY 2015 and FY 2016).**
	4. **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.

1. **TERMS OF PERFORMANCE**

Deadlines of the audit arrangements:

* Contract negotiation and signing:               until February 6th, 2016;
* Audit field work to be completed:                 until February 28th, 2017;
* Draft audit report and management letter:     until March 10th, 2017;
* Final audit report and management letter:      until June 30th, 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 **3 hard copies and one digital**.

1. **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.

1. **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 nor 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.

* 1. **Requirements to the applicant:**
		1. Legal status under legislation of Ukraine.
		2. Understanding of the scope of audit work to be performed;
		3. Overall capacity to carry out audit engagements, including availability of audit staff and supervisors with due expertise and qualification;
		4. Qualification of the engagement team;
		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

* 1. **Key assessment criteria:**
		1. Valid registration of audit firm as a legal entity under legislation of Ukraine;
		2. The firm’s clientele and proven experience in auditing grants; purpose charitable donations/contributions;
		3. Qualification of the engagement team;
		4. 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;
		5. Audit fee and readiness to negotiate a discount; disclosure of details behind the audit fee calculation. Rate per hour shall be indicated.
	2. **List of documents to be submitted along with the Proposal**
		1. Copies of registration documents (state registration certificate, taxpayer certificate, statement from statistics department);
		2. Copy of the certificate on enrolment to the register of audit firms;
		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;
		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);
		5. Copies of auditors’ certificates.

Annex A: Template for the breakdown of expenditures in Note to the Statements on the flow of donor funds

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| **1. Payments to staff employees from 01.01.XX to 31.12.XX** |
|  | SIDA | Donor name | Donor name | Subtotal (all donors), UAH |
| **Full Name – position, full / part-time** |
| January |  |  |  |  |
| February |  |  |  |  |
| March |  |  |  |  |
| April |  |  |  |  |
| May |  |  |  |  |
| June |  |  |  |  |
| July |  |  |  |  |
| August |  |  |  |  |
| September |  |  |  |  |
| October |  |  |  |  |
| November |  |  |  |  |
| December |  |  |  |  |
| **Subtotal, UAH** |  |  |  |  |
|  |  |  |  |  |
| **Total for the category, UAH** |  |  |  |  |
|  |  |  |  |  |
| **2. Payments to private entrepreneurs from 01.01.XX to 31.12.XX** |
|  | SIDA | Donor name | Donor name | Subtotal (all donors), UAH |
| **Full Name/Contractor’s Title – type of services** |
| January |  |  |  |  |
| February |  |  |  |  |
| March |  |  |  |  |
| April |  |  |  |  |
| May |  |  |  |  |
| June |  |  |  |  |
| July |  |  |  |  |
| August |  |  |  |  |
| September |  |  |  |  |
| October |  |  |  |  |
| November |  |  |  |  |
| December |  |  |  |  |
| **Subtotal, UAH** |  |  |  |  |
|  |  |  |  |  |
| **Total for the category, UAH** |  |  |  |  |
|  |  |  |  |  |
| **3. Payments to physical persons under civil law agreements from 01.01.XX to 31.12.XX** |
|  | SIDA | Donor name | Donor name | Subtotal (all donors), UAH |
| **Full Name/Contractor’s Title – type of services** |
| January |  |  |  |  |
| February |  |  |  |  |
| March |  |  |  |  |
| April |  |  |  |  |
| May |  |  |  |  |
| June |  |  |  |  |
| July |  |  |  |  |
| August |  |  |  |  |
| September |  |  |  |  |
| October |  |  |  |  |
| November |  |  |  |  |
| December |  |  |  |  |
| **Subtotal, UAH** |  |  |  |  |
|  |  |  |  |  |
| **Total for the category, UAH** |  |  |  |  |
|  |  |  |  |  |
| **4. Payments to physical persons under intellectual property rights agreements from 01.01.XX to 31.12.XX** |
|  | SIDA | Donor name | Donor name | Subtotal (all donors), UAH |
| **Full Name/Contractor’s Title – type of services** |
| January |  |  |  |  |
| February |  |  |  |  |
| March |  |  |  |  |
| April |  |  |  |  |
| May |  |  |  |  |
| June |  |  |  |  |
| July |  |  |  |  |
| August |  |  |  |  |
| September |  |  |  |  |
| October |  |  |  |  |
| November |  |  |  |  |
| December |  |  |  |  |
| **Subtotal, UAH** |  |  |  |  |
|  |  |  |  |  |
| **Total for the category, UAH** |  |  |  |  |
|  |  |  |  |  |
| **5. Payments to legal entities from 01.01.XX to 31.12.XX** |
|  | SIDA | Donor name | Donor name | Subtotal (all donors), UAH |
| **Full Name/Contractor’s Title – type of services** |
| January |  |  |  |  |
| February |  |  |  |  |
| March |  |  |  |  |
| April |  |  |  |  |
| May |  |  |  |  |
| June |  |  |  |  |
| July |  |  |  |  |
| August |  |  |  |  |
| September |  |  |  |  |
| October |  |  |  |  |
| November |  |  |  |  |
| December |  |  |  |  |
| **Subtotal, UAH** |  |  |  |  |
|  |  |  |  |  |
| **Total for the category, UAH** |  |  |  |  |
|  |  |  |  |  |
| **Grand total, UAH** |  |  |  |  |

1. The International Standards on Auditing [↑](#footnote-ref-1)
2. The International Auditing and Assurances Standards Board (IAASB) [↑](#footnote-ref-2)