

## TERMS OF REFERENCE FOR INDEPENDENT AUDIT

Non-government organization “PUBLIC TELEVISION”, hereafter referred to as the ‘Cooperation partner’ a non-for profit organization, is a VAT payer and is not corporate profits tax:

The Cooperation partner wishes to engage the services of an audit firm for the purpose of auditing:

1. the project ‘Support to institutional development and content production in 2019-2022’ (Phasing out, Sida contribution #12817), as stipulated in the agreement between Cooperation partner and Sida.
2. the project ‘Development Engagement Document Media Programme Ukraine 2017-2021 (Hromadske TV), as stipulated in the Agreement between Cooperation partner and Danida (№ 2017-39988).

The audit shall be carried out in accordance with international audit standards issued by IAASB<sup>1</sup>. The audit shall be carried out by an external, independent and qualified auditor.

### **I. Objectives and scope of the audit**

The objective is to audit the following reports:

1. the financial report for the period 2020-01-01 to 2020-12-31 as submitted to Sida and to express an audit opinion according to ISA 800/805 on whether the financial report of the project ‘Support to institutional development and content production in 2019-2022 (Phasing out, Sida contribution #12817) is in accordance with Sida’s instruction for financial reporting as stipulated in the agreement including appendix between Sida and Cooperation partner
2. the financial report for the period 2020-01-01 to 2020-12-31 as submitted to Danida and to express an audit opinion according to ISA 800/805 on whether the financial report of the project (the Danish contribution № 2017-39898) is in accordance with Danida’s instruction for financial reporting as stipulated in the agreement including appendix between Danida and Cooperation partner.

### **II. Additional assignment; according to agreed upon procedures ISRS 4400, review the following areas in accordance with the Terms of reference below**

Mandatory assignments that must be included in the reporting for Sida funds and for Danida funds:

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<sup>1</sup> The International Auditing and Assurance Standards Board (IAASB)

1. Follow up whether salary costs debited to the project/programme are recorded throughout the duration of the year in a systemized way and examine whether the salary costs can be verified by sufficient supporting documentation.
2. Examine whether the financial report includes a comparison, for every budget item, between the actual costs/expenditures of activities and the budgeted costs/expenditures as approved by Sida for the period.
3. Based on materiality and risk the auditor shall examine whether there is supporting documentation related to incurred costs. Regardless of materiality of the findings the auditor shall quantify the amount for costs lacking sufficient supporting documentation.
4. Examine whether foreign exchange gains/losses are disclosed as a separate item in the financial report as well as disclosed in accordance with what is stipulated in the agreement including appendices and generally accepted accounting principles.
5. The cooperation partner's compliance with the applicable tax legislation with regard to taxes (e.g.PAYE)<sup>2</sup> and social security fees.
6. Follow up whether the cooperation partner has adhered to the procurement guidelines annexed or referred to in the agreement.
7. Review if outgoing balance for previous period is the same as incoming balance for the current period.
8. If the cooperation partner applies modified cash basis as accounting principle, the auditor shall describe used method and motivate whether the applied accounting principle is acceptable for this type of financial report.
9. Verify the unspent balance at the end of the financial year against accounting records and its supporting documentation.
10. Verify the unspent balance that shall be repaid to Sida in the final report of the last agreement year. (Only applicable in the final report of the last agreement year)
11. Examine whether there have been any suspected corruption cases.
12. Verify that any interest made from the contribution is accounted for in the financial report.

### **III. The reporting**

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

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 independent auditor's report shall clearly stipulate that the audit has been conducted in accordance with ISA

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<sup>2</sup> Pay As You Earn

800/805. The reporting shall also include a Management letter that discloses all audit findings (significant and other findings), as well as weaknesses identified during the audit process. The financial report that has been subject of the audit shall be attached to the audit reporting. The auditor shall make recommendations to address the identified findings and weaknesses. The recommendations shall be presented in priority order.

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.

Measures taken by the organisation to address weaknesses identified in previous audits shall also be presented in the Management Letter.

The additional assignment according to agreed upon procedures ISRS 4400 under section II, shall be reported separately in a "Report of factual findings". The size of the sample of reviewed audit reporting shall be stated in the report.

If the auditor conducts an additional assignment according to ISRS 4400 and assesses that the observations presented in the "Report of factual findings" include the information that would have been included in a Management Letter, a separate Management Letter does not need to be issued for the ISRS 4400 assignment. Instead it is sufficient if the "Report of factual findings" include an explanation as to why a Management Letter has not been issued.

The reporting from the auditor shall be prepared in English and Ukrainian, each in 3 hard copies and 1 electronic (pdf format).

#### **IV. TERMS OF PERFORMANCE**

Deadlines of the audit arrangements:

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|---|-----------------------|
| - Contract negotiation and signing:         | until March 26, 2021; |
| - Audit field work to be completed:         | until April 19, 2021; |
| - Draft audit report and management letter: | until April 23, 2021; |
| - Final audit report and management letter: | until April 29, 2021. |

The auditor's report shall be provided directly to the Organization.

#### **V. ACCESS TO FACILITIES AND DOCUMENTS**

The Organization will grant full and complete access to all records and documents and all employees of the Organization the auditor deems necessary in order to provide a clear picture of the financial status of the Organization.

#### **VI. AUDITOR'S SELECTION**

The auditor must be completely impartial and independent from all aspects of management or financial interests in the Organization. The auditor shall 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. An audit company that has audited the Organization for no longer than 2 consecutive years shall be selected.

### **Requirements to the tender proposals:**

To participate in a tender an audit company shall submit a tender proposal that shall be delivered by a courier service (paper documents shall be sent in a sealed envelope that is protected from unauthorized access). A tender proposal shall include the following documents:

1. Signed letter of interest, stating company name, address, contact information (telephone, e-mail, website address), full name of the contact person. The letter shall contain an assurance of independence, understanding of the scope of work to be performed, the objectives of the audit, audit methodology, overall capacity to carry out audit engagements including availability of audit staff and supervisors with due expertise and qualification, audit plan with a commercial offer in UAH (total cost of services and rate per hour shall be indicated), a list of reports to be delivered as a result of the audit;
2. Copy of Extract of the State Register of Legal Entities;
  - Copy of valid certificate on enrolment to the register of audit firms, issued by the Audit Chamber of Ukraine;
  - Provide information and documents confirming the audit company's work experience in auditing non-profit organizations. Recommendations from 3 clients, issued not earlier than 2018, shall be provided;
  - Data on the general number of qualified staff, seniors and managers to fulfill the set task, copies of auditor's certificates, as well as CVs of the engagement team. Copies of professional education certificates (if any);
  - Copy of latest Certificate, issued by the Audit Chamber of Ukraine based on external assessment of the quality control system.

## **VII. PARTICIPATION**

To participate in the competition the interested organizations should submit the documents listed in p.IV.

The deadline for submitting proposals for the completion is March 15st, 2021, 18.00 p.m. (EET). Applications submitted later shall not be considered.

The decision of the competition commission of NGO "Public Television" will be announced on March 25, 2021.

All organizations that provided bids in the specified time, will be notified of the decision.

Please submit your questions regarding the competition to e-mail: [office@hromadske.ua](mailto:office@hromadske.ua).