**Annex I**

## Introduction

**Think Tank Development Initiative in Ukraine** (TTDI) has been implemented by the International Renaissance Foundation (IRF) in cooperation with the Open Society Foundation for Europe (OSIFE) and financial support of the Swedish International Development Cooperation Agency (SIDA). SIDA is represented in Ukraine by the Swedish Embassy to Ukraine (hereinafter – the Embassy).

TTDI seeks to contribute to Ukraine’s transformation into a successful, inclusive and accountable European democracy by creating conditions for independent public policy institutions to grow organizationally, strengthening the voice of independent think tanks in the policy process, making their output relevant for key stakeholder groups in the Ukrainian society, and enabling them to make a stronger impact on policy-making.

The **immediate objectives (purpose)** of this Initiative are:

1. Enhanced role, visibility and credibility of Ukrainian think tanks in the policy process;
2. Institutionally stronger think tanks that produce quality research and policy advice, which is in demand and can influence policy development;
3. Enhanced level of the cooperation between public authorities and think tanks at the national and regional levels;
4. Strengthening the institutional and expert development of IRF as a capacity building hub for Ukrainian think tanks.

**Project timeline: October 2017 – December 2020**

**Project budget:** 4 786 500 USD (4 324 500 USD – Embassy of Sweden funding and 462 000 USD - IRF funding). Project budget for 2017: 1 132 936 USD (1 065 936 USD – Embassy of Sweden funding and 67 000 USD IRF funding)

IRF wishes to engage the services of an audit firm for the purpose of auditing the TTDI, as stipulated in the agreement between IRF and the Embassy. The audit shall be carried out in accordance with international audit standards issued by IAASB[[1]](#footnote-1). 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 financial report for the period October 02, 2017-December, 31, 2017 as submitted to the Embassy and to express an audit opinion according to ISA 800/805 on whether the financial report of TTDI is in accordance with Sida´s instruction for financial reporting as stipulated in the agreement including appendices between the Embassy and IRF.

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

* 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]](#footnote-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 the Embassy for the period.
* Based on materiality and risk the auditor shall examine whether there is supporting documentation related to incurred costs
* Follow up whether IRF has implemented the following recommendations from the assessment of internal control. The examination includes reviewing whether IRF has implemented the action points as described in IRF’s management response that has been submitted to the Embassy.
* Examine whether foreign exchange gains and losses are disclosed in accordance with what is stipulated in the agreement including appendixes.
* IRF compliance with the applicable tax legislation in regard to taxes (e.g.PAYE)[[3]](#footnote-3) and social security fees.
* Follow up whether IRF has adhered to the procurement guidelines annexed to the agreement.
* Review if outgoing balance for previous period is the same as incoming balance for the current period (irrelevant for the period 02.10.2017 – 31.12.2017).
* If IRF applies modified cash basis as accounting principle, the auditor shall motivate whether the applied accounting principle is acceptable for this type of financial report.

## Follow up of funds that are channelled to implementing partners (this shall be done for the period 01.01.2017 – 01.06.2017 and separately for the period 02.10.2017 – 31.12.2017)

* Provide a list of the organizations that received funds from IRF during the audited period, indicating the amount and currency;
* Does IRF have signed agreements with its partner organisations?
* Are the audit requirements in agreements with partner organisations in accordance with the audit requirements as stipulated in IRF’s agreement with the Embassy?
* Review whether there is an unbroken chain of audited financial reports according to the requirements as stipulated in the agreement between IRF and the Embassy, for funds disbursed the previous year. The review shall include whether IRF makes documented assessments of the audited financial reports submitted to IRF and whether these reports are followed-up by IRF. The review shall include verification of contributions equivalent of a minimum of 100% of the total of disbursed funds as well as 100% of the number of contributions. The review shall also include any observations from auditors that Embassy should be informed about.
* Are the same requirements for reporting exchange rate gains/exchange rate losses as stipulated in the agreement between IRF and the Embassy, included in the agreements between IRF and its implementing partners?

## III. The reporting

The scope of the audit shall be stated in the report and the methodology used shall be presented.

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

The audited financial report shall be attached to the audit report.

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, as well as a Management letter with audit findings and weaknesses identified during the audit process. The auditor shall regardless of materiality, quantify the amount for costs lacking sufficient supporting documentation. The auditor shall make recommendations to address the weaknesses identified and 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 paragraph III, shall be reported separately in a “Report of factual findings”.

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 Management Letter does not need to be developed. In such a case, the “Report of factual findings” shall include an explanation of why a Management Letter has not been developed.

1. The International Auditing and Assurances Standards Board (IAASB) [↑](#footnote-ref-1)
2. If the budget includes salary costs to be debited to the project, the auditor shall always examine salary costs as stipulated here. [↑](#footnote-ref-2)
3. Pay As You Earn [↑](#footnote-ref-3)