**TERMS OF REFERENCE**

**For the service of Financial Audit**

**In accordance with the IAASB (International Auditing and Assurance Standards Board) Standards**

**Project: UKR-24/0031**

**‘Empowering Civil Society Action for Resilience and Recovery of Ukraine’ (The Impulse Project)**

**Implemented by the International Renaissance Foundation (IRF)**

**with financial support provided by the Norwegian Agency for Development Cooperation (Norad) and the Swedish International Development Cooperation Agency (Sida)**

**Period to be covered by the audit: 01.11.2024 - 31.12.2025**

**Location of the audit:** administrative offices of the International Renaissance Foundation and sub-grant recipients of the ‘Empowering Civil Society Action for Resilience and Recovery of Ukraine’ (The Impulse Project) and implementation of the audit by means of online communication in the conditions of the martial law and relocation of individual sub-grant recipients.

**Timeframe of provision of the service:**

16 February – 09 March 2026 – active phase of implementation of the audit

10 March – 03 April 2026 – the audit reports are prepared and submitted to IRF

15 April 2026 – the audit report is submitted to Norad and Sida.

**Definition of terms in accordance with the Grant Agreement between Norad and IRF**:

**Impulse Project** - ‘Empowering Civil Society Action for Resilience and Recovery of Ukraine’ Project, implemented by the International Renaissance Foundation (IRF) in partnership with the East Europe Foundation (EEF) with financial support provided by the Norwegian Agency for Development Cooperation (Norad) and the Swedish International Development Cooperation Agency (Sida)

**Grant recipient** – International Renaissance Foundation (IRF)

**Consortium partner** – East Europe Foundation (EEF)

**Local partners (LP)** – sub-grant recipients of the Impulse Project

## Standard Terms of Reference for Annual Audit of Project Support, including ISRS 4400 (Revised)

**Introduction**

The International Renaissance Foundation (IRF), hereinafter referred to as the “Grant recipient” wishes to engage the services of an audit firm for the purpose of auditing the Empowering Civil Society Action for Resilience and Recovery of Ukraine (“Impulse”), as stipulated in the agreement between the Grant recipient and Norad. The audit shall be conducted in accordance with International Audit Standards (ISA) issued by IAASB[[1]](#footnote-1). In addition, an 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.

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

The objective is to audit the financial report for the period 2024-11-01 to 2025-12-31 as submitted to Norad and to express an audit opinion according to ISA, applying ISA 800/ISA 805, on whether the financial report of the Empowering Civil Society Action for Resilience and Recovery of Ukraine (“Impulse”) fairly reflects the financial position of the Project and whether it is prepared, in all material respects, in accordance with the applicable financial reporting framework, the Grant recipient’s accounting records, and Norad’s requirements for financial reporting as stipulated in the agreement including appendices between Norad and Grant recipient (Agreement).

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

Mandatory procedures that must be included:

1. Observe whether the financial report is structured in accordance with the requirements of Norad and in a way that allows for direct comparison with the latest approved budget[[2]](#footnote-2).
2. Observe and inspect whether the financial report provides information regarding:
3. Financial outcome per budget line (both incomes and costs) for the reporting period.
4. Verify whether the opening fund balance[[3]](#footnote-3) for the year 2026 matches with what was stated as closing fund balance in the year 2024 and year 2025.
5. A disclosure of exchange gains/losses. Inquire and confirm whether the disclosure includes the entire chain of currency exchange from Norad’s disbursement to the handling of the Impulse project within the organization in local currency/ies, if applicable.
6. Explanatory notes (such as, for instance, accounting principles applied for the financial report).
7. Amount of funds that has been forwarded to the consortium partner and local partners.
8. Inquire and review how frequently salary costs during the reporting period are debited to the Impulse project.

*Choose a sample of three individuals for three different months and*:

1. Inquire and inspect whether there are supporting documentation[[4]](#footnote-4) for debited salary costs.
2. 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.
3. Inspect whether the Grant recipient complies with applicable tax legislation with regard to personal income taxes (PAYE)[[5]](#footnote-5) and social security fees.
4. Inquire whether there have been any report of corruption, irregularities and other wrongdoings  during the year.
5. Review and confirm that the Grant recipient screens local partners and/or suppliers to ensure that such parties are not subject to the European Union’s and Norway’s financial sanctions list of persons, groups and organisations (EU Sanctions list and Norway’s Sanctions list).

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

1. 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.
2. Applicable the final year: Inspect and confirm the unspent fund balance (including exchange gains) in the financial report and confirm the amount that shall be repaid to the Donor.

**Follow up of funds that are channeled to local partners**

Mandatory assignments that must be included if the Grant recipient forward funds to local partners (LP’s):

Choose a sample of a minimum of **50**% of the total of disbursed funds as well as **50**% of the number of cooperating partners. The size of the sample will be further discussed and according to risk and materiality.

1. Inspect and confirm whether the Grant Recipient has signed agreements with the selected cooperating partners. Grant recipient has signed agreements with the selected LPs.

Inspect and confirm maximum of **100**% LPs of the institutional grant scheme, **50**% LPs of the small grant scheme, and the Consortium Partner.

1. Inspect and confirm whether the Grant Recipient, in all agreements entered with cooperating partners, 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.
2. Inquire and inspect whether the Grant recipient has received financial reports and auditor reports from all LPs and consortium partner included in the selected sample:
3. Inquire and inspect whether the Grant recipient has verified if reports from LPs are in line with the requirements in the Agreement.
4. Inquire and inspect whether the Grant recipient has documented its assessment of the submitted financial reports and reporting from auditors including management responses and action plans from selected LPs and consortium partner.
5. Inquire and inspect whether the Grant recipient has documented its follow-up actions based on the information provided in the financial reports and the reporting from the auditor of the selected LPs and consortium partner.
6. Inquire and inspect whether the Grant recipient has reported substantial observations[[6]](#footnote-6) from selected LP’s and consortium partner’s audit reports in its communication with Norad. List observations[[7]](#footnote-7) from LP’s audit reports, which have been part of this sample.
7. Identify the ten smallest sub-grantees and perform the following procedure:

Obtain transaction lists for all project costs related to these ten.Haphazardly select 8 transactions per sub-grantee and request supporting documentation (80 transactions in total). Verify that the costs are:

* Accurately recorded according to the supporting documentation (Accuracy)
* Valid for the project (Occurrence)
* Recorded in the correct period (Cut-off)

**III. Reporting from the assignments**

The reporting shall be signed by the responsible auditor (not just the audit firm[[8]](#footnote-8)) 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.

If the auditor determines 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 II, 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.

The audit report shall be produced in **English and Ukrainian** and submitted to the client in two printed copies in each of these languages and also sent by e-mail in accordance with the requirements of the Terms of Reference.

1. The International Auditing and Assurance Standards Board (IAASB) [↑](#footnote-ref-1)
2. The budget is attached to the agreement with Norad as an annex and any updates should be supported by a written approval by Norad. [↑](#footnote-ref-2)
3. I.e. funds remaining from disbursements made during the reporting period [↑](#footnote-ref-3)
4. Debited salary costs should be verified by supporting documentation such as employment contracts. [↑](#footnote-ref-4)
5. Pay As You Earn [↑](#footnote-ref-5)
6. Deemed substantial by the Grant recipient. [↑](#footnote-ref-6)
7. Observations included in Management Letters and if applicable, qualified audit reports. [↑](#footnote-ref-7)
8. If the audit firm is obliged to sign, refer to relevant legislation. Norad still needs to know who has been responsible for the audit assignment. [↑](#footnote-ref-8)