

## TERMS OF REFERENCE FOR AUDITORS

### Audit of HandiKOS annual financial report

#### Background

#### Purpose of the service

The HandiKOS Finance Department prepares an annual financial report for submission to the NGO Liaison Office each year, which is based on data and information provided by the HandiKOS accounting system (QuickBooks). It is a requirement that this report covering the final annual period be audited by an independent licensed auditor (the "Auditor"), who has the required professional competence and experience. The auditor is expected to explain and quantify each adjusting entry and/or reclassification.

#### Overall principles of the audit

The auditor is required to plan, execute and report on the audit engagement in order to form a professional judgment on the following matters relating to the activities of HandiKOS:

- Principles of orderliness (financial regularity) - Existence, adequacy and effectiveness of the Internal Control System (ICS) - Conformity with the project objectives and adherence to the contract conditions - Economical conduct of business and effective use of financial resources

#### Reference Documents

The following documents and matters should be considered by the auditor as basic references for conducting the financial review:

#### Financial Report:

Annual Financial Report prepared by HandiKOS for three years

#### Rules and Regulations

Internal rules and regulations of HandiKOS.

#### Project/program

- Agreements, contracts and project documents signed with Donors and partners covering the FY 2025, 2026 and 2027; - Budgets covering the period 2025, 2026 and 2027, financing plans, and programs of project activities of HandiKOS; - Any other documents concerning the project/program such as expert mission reports.

#### Accounting

- Accounting documents subject to the audit; - Financial and operational reports; - Records from HandiKOS accounting system, QuickBooks

#### Auditor

- The present terms of reference and the related mandate for audit; - Prior internal and external relevant audit reports;

Place of auditing process to be carried out

The audit will be conducted at the offices of HandiKOS, Rruga "Dardania 4/7 Lam: D-2, Prishtina, Kosovo. The deadline for conducting the audit is March of each year.

Specific tasks and controls to be carried out:

1.1 General controls: - Verification of the existence of the written contractual agreements with all partner organizations. - Verification of the funds received for the project. - Verification that goods purchased with allocated funds are utilized within the foreseen objectives and are still available or have been ceded/sold in conformity with the methods defined in the respective procedures defined by head office and/or by the donors' pre requirements. - For all "self-implemented projects": verification of expenditures through examination of supporting documents, or confirmation or combination of those procedures. - For other projects: verification and review of the audited financial statement of the implementing partner organization. If there are no audited financial statements, verify the project expense reports from the implementing partner per project.

- Verification of all office expenditures (salaries, office rent, travel expenses, allowances, social security benefits, etc.) through examination of supporting documents, or confirmation or a combination of those procedures. - Verification that local contracts (employment contracts, renting contracts and consultant contracts) are in conformity with local legislation currently in force. - Identification and evaluation of risks, litigation and provision. Please disclose your findings on the Final Summary Memorandum. - Verification of the management procedures relative to the various transactions and the application thereof. In particular, verification of the repartition of competences and responsibilities (commitments, posting of expenditures, reconciliation of cash, etc.), judging their efficiency, signaling discovered weaknesses.

1.2 Verification of project transactions under the following aspects: - Conformity of expenditure authorizations and validity of the supporting documents - Arithmetic correctness of the accounts, supporting documents and financial statements - Exactness of the bookkeeping entries - Allocation of expenditures in conformity with the budgets - Control of advances, accrued/provisions, payables/receivables, and project terminations - Allocation of expenditures in conformity with donor contracts - Any other verification that the auditor may consider useful in the execution of his mandate

1.3 Economical conduct business – assessment of the following areas/measures: - Procurement Process: verification of the existence and respect of the purchasing procedures. - Collaboration with local experts (legal, tax etc.) - Verification that local contracts are in conformity with local legislation currently in force

1.4 Specific audit work with local partnerships – Liaison office- related to: - Verification of the existence and respect of the HandiKOS instructions. How his process works? Controls functioning? - Selection process of the partner whether the partner is compatible and likely to be trustworthy for HandiKOS (program management, performance framework, procurement & financials and additional conditions, reporting) etc. - In relation with the agreement(s): The general terms and conditions on which the funds are made available, including how and when they are disbursed, procurement requirements that are applicable and the program / financial reporting that the partner must fulfil, etc. - Disbursements and control processes. The reviews of the progress update and disbursement request. Who reviews the budget (expenditure and cash balance), indicators (monitoring & evaluation and procurement) and performs a contextual review.

1.5 Final controls: - Verification that all corrections required from any previous audit has been carried out. - Verification of the vehicle logbook and verification that possible private use of vehicles has been invoiced and paid. - Reconciliation of bank + Cash and accounting balances - Verification of the Saga audit report by currency and to certify each. - The Recommendation/Management letter should include the answer of the management of the HandiKOS for each point raised.

#### Draft Audit report

The auditor is expected to prepare a draft audit report, identifying findings and recommendations that will be shared with HandiKOS for discussion and review. HandiKOS staff will have 10 working days to make comments, object or accept the draft report. A meeting will organized on this purpose. Audit report. The auditor is expected to prepare an audit report on the HandiKOS financial statements, which will be based on General Accepted Accounting Principles and the currency in use EUR. In the audit report, the auditor is expected to explain and quantify any adjusting and/or reclassification entries.

A Recommendation/Management letter should be part of the report to be delivered. Findings and Recommendation letter. The auditor will formulate recommendations for the improvement of the internal control system (ICS) as well as of project and accounting procedures.

Content and structure of auditor's report - Auditor's opinion (specifically addressing the four overall principles stated above) - Name of projects, donors, partner, including any sub-contractor - Brief description of relevant information (history, management, accounting system, internal control system etc.) - Period covered by the report - Date and place of review, name of audit firm, deviations from original review program - Description of review procedures applied and findings on financial information subject to the review. - Analysis of the statement of funds received from other donors, if applicable - Comments with regard to adherence to project agreement/contract and terms of reference - Budget comparison of the project, including comments on major variations - Minutes of the closing meeting. - Findings and Recommendations on project management, accounting procedures and internal control system (ICS).

Expenditures incurred over the years are around 300,000.00 EUR.

The Audit report is to be signed by a representative of the auditor as well as by the leader of the audit team and should be in two languages (Albanian and English).