

## **TERMS OF REFERENCE FOR INDEPENDENT AUDIT**

### **I. INTRODUCTION**

Non-government organization “PUBLIC TELEVISION” (hereinafter – Organization) wishes to engage the services of an audit company for the purpose of auditing the Organization.

The Organization has responsibility to the Swedish International Development Cooperation Agency (SIDA), represented by the Embassy of Sweden in Kyiv (hereinafter – the Embassy), the Danish International Development Agency (DANIDA) as well as other donors for proper financial management of funds.

### **II. BACKGROUND**

On December 19th, 2017 the Organization signed an Agreement with the Embassy to finance the implementation of a project. The financing under the current Agreement is 7,5 million SEK and covers the period **August 15, 2017 – December 31, 2018**. The detailed budget approved by the Embassy for the period August 15, 2017 – December 31, 2018 is 7 500 000 SEK.

On November 16, 2017, the Organization signed the Agreement No. 2017-39988 the acceptance of the Danish contribution to a project made by the Ministry of Foreign Affairs of Denmark with the support of DANIDA is DKK 15 million for the period from **November 16, 2017 to December 31, 2021**, of which DKK 5 million is earmarked for the period from November 16, 2017 to December 31, 2018.

The expenses incurred by the Organization on a cash basis in 2018 are 50 957 497.83 UAH. Total cash assets of the Organization as of December 31, 2018 are estimated to be 17 937 275.93 UAH.

In previous years, the Organization’s General Purpose Financial Statements and special purpose financial reports according to donor’s guidelines were audited by independent auditors.

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

### **III. ACCOUNTING AND REPORTING STANDARDS**

The organization prepares its General Purpose Financial Statements in accordance with the National Accounting Regulations (Standards).

Reports required by donors are prepared by Organization according to Donor’s guidelines.

### **IV. OBJECTIVES AND SCOPE OF WORK FOR AUDIT**

The audit shall be carried out in accordance with International Standards on Auditing (ISA), issued by IAASB (The International Auditing and Assurances Standards Board). The audit shall be carried out by an external, independent and qualified auditor (Approved Public Accountant/Authorized Public Accountant or equivalent).

The objectives of the audit are to conduct:

#### 4.1 Audit of SIDA funds

- a) Express an independent audit opinion (ISA 800/805) on whether the special purpose **Report on the Receipt and Use of Funds** prepared for the period **August 15, 2017 – December 31, 2018**, prepared on an accrual basis, is prepared in accordance with the budget and terms of the Agreement with the Swedish International Development Cooperation Agency (SIDA) dated signed December 19, 2017 (including all amendments). The Report shall present the following information (SEK): budget for the period **August 15, 2017 – December 31, 2018**, amount of spent funds, unspent balance. The report shall separately present the following information: the amount of received funds during 2017 and 2018 (EUR and UAH), as well as unspent balance on 31.12.2018 (EUR and UAH).

The separate reports for budgets 'Human Resources' and "Equipment' shall present the following information (UAH): budget for the period August 15, 2017 – December 31, 2018, amount of spent funds, unspent balance.

- b) 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.
- c) 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.
- d) 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.
- e) Verify the unspent balance that shall be repaid to Sida.
- f) Check whether the funds are placed on a non-interest bearing account.
- g) Evaluate the compliance of the Organization with national tax laws and regulations.
- h) Check whether the agreements with private entrepreneurs and / or its annexes include a detailed description of the assignment (topic, scope of work, rate etc.), source of financing and whether a clear definition of the assignment (topic, scope of work, rate per hour) is indicated in each act of performed works / services.
- i) Check whether the civil law agreements with physical persons and / or its annexes include a detailed description of the assignment (topic, scope of work, rate etc.) and source of financing.
- j) Determine if the Organization has taken adequate corrective action on **prior audit** recommendations.  
The auditors shall state all previous audit recommendations and 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.
- k) Report on **compliance** of the Organization with the terms of **the Agreement** signed with SIDA on December 19, 2017 (including all amendments), for **2017-2018**, prepared in accordance with the International Standard on Assurance Engagements 3000. The auditor shall receive a copy of the Agreement (including amendments). The auditor shall assess the compliance of the organization with the following agreement articles: 4 (Procurement), 10 (Other specific conditions applying to the Project), as well as the terms stated in the General conditions. The auditor shall check 5 largest procurements during 2017 – 2018.

#### 4.2 Audit of DANIDA funds

- a) Express an independent audit opinion (ISA 800/805) on whether the special purpose **Report on the Receipt and Use of Funds** prepared for the period **November 16, 2017 – December 31, 2018**, prepared on an accrual basis, is prepared in accordance with the budget and terms of the Agreement with the Danish International Development Agency (DANIDA) dated November 16, 2017 (including all amendments). The Report shall present the following information (EUR): budget for 2017-2018, amount of spent funds, unspent balance. The report shall separately present the following information (EUR): the amount of received funds and interest earned during 2017 and 2018, as well as unspent balance on 31.12.2018.
- b) 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.
- c) 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.
- d) 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.
- e) Check whether the funds are placed on a non-interest bearing account.
- f) Evaluate the **compliance** of the Organization with national **tax laws and regulations**.
- g) Check whether the agreements with private entrepreneurs and / or its annexes include a detailed description of the assignment (topic, scope of work, rate etc.), source of financing and whether a clear definition of the assignment (topic, scope of work, rate per hour) is indicated in each act of performed works / services.
- h) Check whether the civil law agreements with physical persons and / or its annexes include a detailed description of the assignment (topic, scope of work, rate etc.) and source of financing.
- i) Determine if the Organization has taken adequate corrective action on **prior audit** recommendations.  
The auditors shall state all previous audit recommendations and 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.
- j) Report on compliance of the Organization with the terms of the Agreement signed with DANIDA on November 16, 2017 (including all amendments), for **FY 2017-2018**, prepared in accordance with the International Standard on Assurance Engagements 3000. The auditor shall receive a copy of the Agreement (including amendments). The auditor shall check 5 largest procurements during 2017-2018.

### **4.3 Audit of General Purpose Financial Statements**

- a) Express an independent audit opinion on whether the Organization's general purpose financial statements (Balance Sheet, Report on financial results, Cash Flow Statement) present fairly, in all material respects the financial position of the Organization as of December 31, 2018 and its change in net assets for the year then ended, the results of operations and cash flows for the year ended in conformity with National Accounting Regulations (Standards).
- b) 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**.

- c) Determine if the Organization has taken adequate corrective actions on prior audit recommendations.

The auditors must review and briefly describe in the summary section of the audit report the status of actions taken on **all** findings and recommendations reported in prior audits of the Organization.

- d) Evaluate the compliance of the Organization with national tax laws and regulations.
- e) The general purpose financial statements shall include a Note outlining flows of donors funds during 2018 per each project and in total (balances at the beginning of the period; total funds received; total expenditures incurred; balances at the end of the period).
- f) Provide information on the governing bodies of the Organization (including first / last name).

#### **4.4 Review the Special Purpose Statements** (in accordance with the International Standard on Review Engagements 2400).

The auditors shall prepare the Special Purpose Statements.

The objective of the review is to provide a moderate level of assurance that the **Special Purpose Statements**, prepared on a cash basis, for the period **January 1, 2018 – December 31, 2018** are free from material misstatements.

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

- a) *Statements* on the flow of donor funds in the projects implemented by the Organization during 2018 (balance at the beginning of the period; total funds received; total expenditures incurred; balance at the end of the period);
- b) *Note* to the Statements on the flow of donor funds (the template is provided in Annex 1). In case when the organization withholds taxes (income tax, military fee) and pays employer taxes (single social contribution), the template in Annex 2 shall apply. The Note shall outline monthly expenditures incurred by the Organization during FY 2018 with a breakdown by type of agreement:
- 1) *Labor agreements (employed staff* based on the organization's staff schedule, indicating: first/last name/s, position held, full /part-time);
  - 2) *Non-labor agreements:*
    - Civil-law agreements on provision/performance of services/works concluded *with physical persons* (indicating first/last name/s, types of services rendered)
    - *Agreements on provision/performance of services/works concluded with private entrepreneurs* (indicating first/last name/s, types of services rendered)
    - Intellectual property rights agreement/ Copyright agreements: name, surname / name of the organization, type of services / goods
    - Legal entities: name of the organization, type of services / works / goods
    - *Other types of payments.*

## **V. THE REPORTING OF THE AUDITOR**

The reporting shall contain details regarding the used audit methodology and the scope of the audit.

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 independent auditor's report shall clearly stipulate what standard the audit has been conducted in accordance with (e.g. ISA 800/805).

The financial report that has been subject of the audit shall be attached to the audit reporting.

The reporting shall contain the responsible auditor's signature, title and the name of the audit company.

The audit reports and the Management Letter shall be prepared in Ukrainian and English, each in 3 hard copies and 1 electronic (pdf format).

The auditor is expected to submit to the Organization:

- 5.1 The **auditor's report** in respect of **Report on the Receipt and Use of Funds (SIDA)** prepared by Organization on an accrual basis for **the period August 15, 2017 – December 31, 2018**.
- 5.2 The **auditor's report** on compliance of the Organization with the terms of the Agreement signed with SIDA on December 19, 2017, for **FY 2017-2018** prepared in accordance with the International Standard on Assurance Engagements (ISAE) 3000.
- 5.3 The **auditor's report** in respect of **Report on the Receipt and Use of Funds (DANIDA)** prepared by Organization on an accrual basis for the period **November 16, 2017 – December 31, 2018**.
- 5.4 The **auditor's report** on compliance of the Organization with the terms of the Agreement signed with DANIDA on November 16, 2017, for **FY 2017-2018** prepared in accordance with the International Standard on Assurance Engagements 3000.
- 5.5 The independent auditor's report in respect of **General Purpose Financial Statements for FY 2018**.
- 5.6 **The Special Purpose Statements Report (ISRE 2400) for 2018.**
- 5.7 **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 shall 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.

Draft of the Management Letter shall be sent from the external auditors to the Executive Director with a copy to the 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** shall be addressed to the Executive Director with a copy to the Head of the Organization and Chair of the Supervisory Board of the Organization.

## **VI. TERMS OF PERFORMANCE**

Deadlines of the audit arrangements:

- Contract negotiation and signing: until April 23, 2019;
- Audit field work to be completed: until May 17, 2019;
- Draft audit report and management letter: until May 21, 2019;
- Final audit report and management letter: until May 24, 2019.

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

## **VII. 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.

## **VIII. 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.

### **8.1 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:

- 8.1.1 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;
- 8.1.2 Copy of Extract of the State Register of Legal Entities;
- 8.1.3 Copy of valid certificate on enrolment to the register of audit firms, issued by the Audit Chamber of Ukraine;
- 8.1.4 Provide information and documents confirming the audit company's work experience in auditing non-profit organizations. Recommendations from 3 clients, issued not earlier than 2017, shall be provided;
- 8.1.5 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);
- 8.1.6 Copy of latest Certificate, issued by the Audit Chamber of Ukraine based on external assessment of the quality control system.

### **8.2 Key assessment criteria:**

**Tender proposals that do not fulfill the requirements to the tender proposals (8.1 Requirements to the tender proposals) shall not be subject for further assessment.**

Tender proposals that fulfill the requirements to the tender proposals (8.1 Requirements to the tender proposals) shall be further assessed according to the following criteria:

Nr	Evaluation criteria	Max score
1	<b>Cost of Service</b>	30
2	<b>Audit experience:</b>	
	Audit experience at least 5 years	20
	Experience in auditing non-profit organizations	15
3	<b>Qualification of the auditors</b>	35
	Total score	100

The following method of evaluation shall be used:

Name of the coefficient	Coefficient meaning	Value of the coefficient
Poor	Not addressed or not sufficient	0
Not entirely satisfactory	Sufficient in some aspects but not as a whole	0.4
Satisfactory	Sufficient but lacks substantial advantages or has uneven quality	0.6
Good	Adequate and well suited to the purpose	0.8
Very good	Gives added value and shows high quality on the whole	1

The number of points that can be awarded under each of the evaluation criteria: if a maximum of 20 points can be awarded for a given criterion, "Good" will mean  $0.8 \times 20 = 16$  points.

## IX. PARTICIPATION

To participate in the competition the interested organizations shall submit the following documents:

1. Letter of interest, stating company name, address, contact information (telephone, fax, e-mail, website address), full name of the contact person. The letter should be signed and stamped;
2. The certificate/registration of an audit the company; certificate providing the right for audit activities;
3. Commercial offer in UAH (hourly cost of services) and contact information of the person authorized to answer questions regarding the competition proposal.
4. Documents confirming the company's work experience with non-profit organizations and experience of audit according to the ToRs (including copies of certificates confirming the qualification of auditors), and the audit plan.

Please submit the documents to the e-mail address of the administrator of Hromadske TV [karinahrytsiuk@gmail.com](mailto:karinahrytsiuk@gmail.com). Please indicate the subject line as: Audit\_2018 and available short name of the organization that submits its proposal.

The deadline for submitting proposals for the completion is April 21st, 2019, 11.59 p.m. (EET). Applications submitted later shall not be considered.

The decision of the competition commission of NGO "Public Television" will be announced on April 22, 2019.

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: [karinahrytsiuk@gmail.com](mailto:karinahrytsiuk@gmail.com).

**Annex 1:** Template for the breakdown of expenditures in Note to the Statements on the flow of donor funds

<b>1. Payments to staff employees from 01.01.2018 to 31.12.2018</b>				
	SIDA (11550)	DANIDA	Donor name	Subtotal (all donors), UAH
<b>Full Name - position, full / part-time</b>				
January				
February				
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				
<b>Subtotal, UAH</b>				
<b>Total for the category, UAH</b>				
<b>2. Payments to physical persons under civil law agreements from 01.01.2018 to 31.12.2018</b>				
	SIDA (11550)	DANIDA	Donor name	Subtotal (all donors), UAH
<b>Full Name/Contractor's Title - type of services</b>				
January				
February				
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				
<b>Subtotal, UAH</b>				
<b>Total for the category, UAH</b>				
<b>3. Payments to private entrepreneurs from 01.01.2018 to 31.12.2018</b>				
	SIDA (11550)	DANIDA	Donor name	Subtotal (all donors), UAH
<b>Full Name/Contractor's Title - type of services</b>				
January				
February				
March				
April				
May				
June				

July				
August				
September				
October				
November				
December				
<b>Subtotal, UAH</b>				
<b>Total for the category, UAH</b>				
<b>4. Payments under intellectual property agreements from 01.01.2018 to 31.12.2018</b>				
	SIDA (11550)	DANIDA	Donor name	Subtotal (all donors), UAH
<b>Full Name/Contractor's Title - type of services</b>				
January				
February				
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				
<b>Subtotal, UAH</b>				
<b>Total for the category, UAH</b>				
<b>5. Payments to legal entities from 01.01.2018 to 31.12.2018</b>				
	SIDA (11550)	DANIDA	Donor name	Subtotal (all donors), UAH
<b>Full Name/Contractor's Title - type of services</b>				
January				
February				
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				
<b>Subtotal, UAH</b>				
<b>Total for the category, UAH</b>				
<b>6. Other types of payments from 01.01.2018 to 31.12.2018</b>				

	SIDA (11550)	DANIDA	Donor name	Subtotal (all donors), UAH
<b>Full Name/Contractor's Title - type of services</b>				
January				
February				
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				
<b>Subtotal, UAH</b>				
<b>Total for the category, UAH</b>				
<b>Grand total, UAH</b>				

**Annex 2:** Template for the breakdown of expenditures in Note to the Statements on the flow of donor funds

<b>1. Payments to staff employees from 01.01.2018 to 31.12.2018</b>								
	SIDA (11550)	DANIDA	Donor name	<b>Subtotal (all donors), UAH</b>	Income tax and military fee	Employer tax (single social contribution)	<b>Subtotal (taxes), UAH</b>	<b>Total (incl. taxes), UAH</b>
<b>Full Name- position, full / part-time</b>								
January								
February								
March								
April								
May								
June								
July								
August								
September								
October								
November								
December								
<b>Subtotal, UAH</b>								
<b>2. Please see Annex 1 for other categories in the table</b>								