

**TERMS OF REFERENCE FOR AUDITS** 

TENDER FOR THE EXTERNAL AUDIT OF THE DEVELOPMENT COOPERATION PROJECT "ARAMAZD: SEED (Social Economy and Employment Development)" PROJECT IMPLEMENTED BY CARITAS ARMENIA AND

SUBSIDISED BY CÁRITAS ESPAÑOLA (CE)

AND BY SECOURS CATHOLIQUE CARITAS FRANCE (SCCF - CE)

Year <2022-2025>

# **1 - Purpose of the external audit:**

In the present call for tenders, the audit of the final financial report of the following project is requested:

* Project Title: “**ARAMAZD: SEED”**
* Country/Area: **Armenia**
* Project Duration: **39 months**
* Project Start Date: **April 10, 2022**
* Project End Date: **June 20, 2025**
* Short description of the project:

This project is the fourth phase of a program that was launched in 2012 by Caritas Armenia with the financial support of Caritas Spain and Secours Catholique - Caritas France.

The “ARAMAZD: SEED” phase of the program started in 2022 and was planned for a three-year period. The program aims to promote Promotion of sustainable socio-economic development in the bordering regions of Armenia through strengthening of local actors.

Caritas Armenia is launching a new phase of its program to support impoverished communities in the rural border regions of Gegharkunik, Lori, and Shirak by adopting a more comprehensive and participatory approach. Through training and financial assistance for local actors' projects, the initiative will target rural populations and promote the socio-economic development of these regions, with a focus on creating employment and development opportunities for both young people and adults.

**The goal and objectives of the project are:**

* Overall objective: Promotion of sustainable socio-economic development in the bordering regions of Armenia through strengthening of local actors.
* Specific objective: Promotion of social economy and employability for population of the bordering communities of Gegharkunik, Lori and Shirak.

**The main target group of the project are:**

* Vulnerable unified communities from Gegharkunik, Lori and Shirak Provinces of the Republic of Armenia, suffering from poverty, unemployment and being at risk of migration.
* Local authorities, civil society associations, economic actors and active youth.

**Project outcomes:**

Outcome 1: The social economy becomes a competitive direction of community development in the targeted regions

* At least three social economy entities (enterprises) actively operate in target communities and generate income.
* Local actors in the targeted communities have reported an increase in knowledge and skills in the field of Social Economy.
* The established or promotesocial enterprises employ at least 12 people (6 male, 6 female).

Outcome 2: Employability in project targeted communities is improved։

* At least 300 young and adult people (150 male, 150 female) from the three target communities have passed professional orientation and career counseling and are aware of their opportunities.
* Within the announced grant competition at least 9 full project proposals have been submitted by VETs and local actors of target communities for establishment/development of Social Entities for promotion of dual education and generating income.
* At least 6 VET's staffs increased their knowledge on topic of Social Economy.
* At least 3 social economy entities are established as an innovative model of alternative income generation source for VET schools.

Outcome 3: Inter-sectoral cooperation and community development experiences of AC are capitalized.

* The guideline of Community Development model with relevant description and modules of capacity building actions are prepared and shared with Inter-sectoral Network organizations.
* Social Transformation methodology is used by at least 9 community groups or organizations to promote leadership and ensure inclusion for vulnerable groups in community.

**Organisations implementing the project:** Armenia Caritas staff in partnership with:

* Ministries of Territorial Administration and Development, Education, Science, Culture and Science
* Local Authorities of Ani, Alaverdi, Vardenis communities
* Civil Society Organizations
* Small and Medium Entrepreneurs
* State VET schools
* Unified Social Service and local office

**Target communities:** Vardenis (Gegharkunik), Alaverdi (Lori) and Ani (Shirak) of Armenia.

The audit of all the executed expenses is requested, the amounts of which are summarised in the following table:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Cáritas Española  (EUR) | SCCF  (EUR) | Rotary Fund  (EUR) | Subtotal  (EUR) |
| Year 1 | 40000 | 50000 | 12000 | 102000 |
| Year 2 | 40000 | 50000 |  | 90000 |
| Year 3 | 4000 | 50000 |  | 90000 |
| Extended 3 months |  | 22500 |  | 22500 |
| Total | 120000 | 172500 | 12000 | 292500 |

## **2 - Objectives and products:**

The expenditure shall undertake this engagement in accordance with:

- The International Standard on Related Services (‘ISRS’) 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the IFAC;

- The IFAC Code of Ethics for Professional Accountants, developed and issued by IFAC’s International Ethics Standards Board for Accountants (IESBA), which establishes fundamental ethical principles for Auditors with regard to integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards.

As main task, the verification includes the execution of Agreed upon Procedures attached to the present TOR. Every response should be argued, justified and qualified to the context otherwise it will not be accepted.

The objective of the audit will be to review the financial report submitted to Cáritas Española and Secours Catholique Caritas France and to put into place controls describe herebelow in the Excel file:



NB : With regard to the adequacy and effectiveness of the internal control system, the audit will pay special attention to the controls of the executing entity in terms of expressing a professional opinion(s) on the financial position of the program at the end of implementation period, and on funds received and expenditures incurred for the relevant accounting period.

*Audit report*

These reviews will be recorded in an audit report, as described in **Annex I** of this document, in which the checks carried out will be detailed including the information in sufficient detail so that Cáritas Española can draw its conclusions on the previous aspects.

*Recommendations for improvement*

## All auditor’s comments and recommendation will be recorded in a document, «Management Letter» in two parties:

## - Comments and recommendations of this audit, especially those having a significant impact on the project. A draft will be first presented to the recipient in order to receive his comments, before the final version could be issued;

## - Including the management letter from a previous audit, if available. The auditor should indicate whether the observations are still relevant and whether actions have been taken to address the risks identified. Otherwise, the previous findings and recommendations should of course be included in the first part of the management letter.

## **3 - Scope, schedule, place of execution of the Audit, and methodology**

**SCOPE**

This proposal covers the entire project period, which is 39 months.

100% of the transactions that make up the financial report will be audited, which are detailed below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **COUNTRY** | **IMPLEMENTED EXPENDITURE** | **PERIOD COVERED** | **NO. OF INVOICES** | **INVOICE TYPE (ORIGINAL OR CERTIFIED COPY)** |
| **Armenia** | 292,500 EUR | April 01, 2022 –  June 30, 2025 |  | Original documents |

**METHODOLOGY**

The proposed methodology will be as follows: two audit reviews of **the financial report of the project** will be established. Between the first and the second review, there will be approximately 2 or 3 weeks of difference to allow the possibility to request the correction of the documentation in the field.

Once the 2nd review is finished, the audit draft will be generated.

A draft report will first be issued containing the initial conclusions established by the auditing firm, so that the entity can make its comments in this regard and correct those aspects that may have been misinterpreted or clarify some of the statements made in said report. Subsequently, once the allegations have been collected and analysed, the Final Audit Report will be issued (see Annex I).

After submitting his provisional mission reports, the auditor will approach the Audit and Internal Control Department of Caritas Espanola and Secours Catholique Caritas France to present his observations and conclusions during a telephone meeting or videoconference.

**WORK PLAN**

Below are the estimated key dates that comprise the audit engagement.

Start of audit: April 10, 2025

First review: April 30, 2025

Second review: May 14, 2025

Delivery of draft report: May 30, 2025

Delivery of final audit report: June 20, 2025.

**3 originals and a digital copy** of the final audit report will be delivered.

NB: The start of the mission will be fixed by mutual agreement between the partner and the audit firm while respecting the rules / constraints of the government of the country where the audit will be carried out and where the partner audited and the audit firm are based.

Consequently and exceptionally, Caritas Espanola and SCCF may grant a deadline agreed between the parties in order to carry out the audit mission.

**PLACE:**

**The audit will be carried out at the headquarters of Armenian Caritas, where all the consolidated documentation of the offices involved in the implementation of the project and necessary for the execution of the audit will be prepared.**

The address and contact details of Armenian Caritas is as follows:

**“Armenian Caritas” Headquarters**

8 H. Sargsyan Str., 3 side-street, Gyumri 3118, Shirak Province, Armenia, (+374 312) 5 72 01

[info@caritas.am](mailto:info@caritas.am)

[caritas@caritasarmenia.org](mailto:caritas@caritasarmenia.org)

[www.caritas.am](http://www.caritasarm.am/)  
[www.facebook.com/ArmenianCaritas](http://www.facebook.com/ArmenianCaritas)  
[www.twitter.com/ArmenianCaritas](http://www.twitter.com/ArmenianCaritas)  
[www.flickr.com/photos/140146452@N04](https://www.flickr.com/photos/140146452@N04/)  
[www.youtube.com/user/armcaritas](http://www.youtube.com/user/armcaritas)

## **4 - Requirements of the auditing firm:**

**4. A- Principles of Action:**

Integrity:

The auditors shall have the responsibility to highlight issues not specifically mentioned in the Technical Specifications, if this is necessary to obtain a more complete analysis of the intervention.

Duty of confidentiality:

The auditor and the personnel in its service shall be obliged to maintain the secrecy of all information known to them in the exercise of their review, in the terms set forth in the current regulations on auditing of accounts.

Retention of documentation:

The auditor shall keep the documentation supporting the work performed for a minimum period of 5 years from the date of issue of the report.

**4. B- Composition of the Audit Team:**

Audit firms located in the country or, if necessary, from some other country, in which case they must be certified as auditors in the country of execution of the project, may submit their proposals.

The tenderers must specify the members of the team that will carry out the audit work. The composition of the team and its degree of dedication will be taken into account during the assessment for the award of the contract.

In any case, the proposed work team must necessarily prove its experience in the following fields:

* Higher degrees of the proposed team.
* Experience in the provision of professional services to non-profit organisations and, more specifically, in the control and verification of programmes and projects or other similar types of subsidies.

In addition, proof of experience in the following will be positively valued:

* Experience in assessment and auditing of international development cooperation projects.

Any change in the composition of the proposed team must be previously notified to the established contact, who will authorise it if necessary.

Additionally, the applicant shall nominate an audit manager who will be the main interlocutor with the project manager coordinating the project in the country.

The audit partner in charge of signing the corresponding audit reports shall be indicated.

**4. C- Model Contract for Auditors:**

The contract shall contain at least the following basic information:

1. Objectives of the audit.
2. Scope of work.
3. Work agenda. Time schedule for the review and deadlines for the delivery of the reports.
4. Work team.
5. Scope of the audit.
6. Conducting the audit: activities.
7. Audit report: key aspects.
8. Obligations of the Contracting Parties:

* Obligation of the auditor to carry out the review and issue a report in accordance with the table of contents set out in **Annex I** of this document.
* Duty of confidentiality of the auditor and their staff in accordance with the provisions of the above regulation and the Spanish and French Organic Law on the Protection of Personal Data.
* Obligation of Armenian Caritas and, if necessary, of Cáritas Española and SCCF to prepare and provide the auditor with the documents required by the regulations and any books, records, and documents requested for the audit.

1. Fees to be received by the auditor, with an indication of the estimated hours to be worked by the audit team, and the form and schedule of payments.

**5 - Procedure and awarding method:**

**5.A.- Awarding System and Required Documentation:**

The system for contract awarding will be a tendering procedure with competitive basis.

To participate in the tender, the tenderer must be sent to the emails herebelow.

**The tenderer shall submit a proposal for the performance of the audit, specifying the cost thereof.**

Documentation:

1. Appointment of a person with representative capacity for all matters relating to the execution of the contract with a photocopy of the power of attorney to represent the person signing the proposal.
2. In the case of companies, the deed or document of association, of modification, statutes, or founding act in which the rules governing their activity are stated, registered, where appropriate, in the corresponding official register.
3. Declaration of not being in any of the circumstances that disqualify them from entering into an agreement.
4. Financial proposal for the contract.
5. Certificate of registration of the company in the country's Official Register of Auditors, as well as of the auditor in charge of signing the corresponding audit reports.
6. Proof of the tenderer's technical or professional experience: list of the work carried out in the last three years, indicating the amounts, dates, and beneficiaries. Experience related to the purpose of the contract.

**5.B- Assessment of Tenders and Award:**

Armenian Caritas, Cáritas Española and SCCF will submit a list of audit firms for the tenders.

Once the deadline for submission of tenders has ended, including those that may be submitted by mail, **the national management and the project administrator** will first open the envelopes and examine and verify the administrative documentation contained in them, to check that they contain everything required by these specifications or if there are any omissions that could lead to exclusion.

In the event that the verification reveals that any of the companies does not comply, in whole or in part, with any of the specifications included in the documentation, it will be automatically declared excluded from the procedure, as well as in the event of total non-compliance with any of the requirements necessary for access to the tender or absolute falsehood in any of the documents. If the non-compliance refers to elements that, while not being decisive for access to the competition, are essential for the purposes of assessment.

Necessary requirements for access to the contract are considered those related to the accreditation of personality, as well as those that refer to **the non-incompatibility for the performance of this service.**

Once the administrative documentation has been analysed by Armenian Caritas, AC will choose and submit the best three candidates to Caritas Espanola and SCCF which will altogether examine the financial and technical proposals that have been submitted, assessing their approval. This last selection will be made under the supervision of Cáritas Española and SCCF within there gathered Audit Committee. To finalise the process, an interview will be held with the pre-selected company or auditor.

The selection criteria will be those agreed among AC, Cáritas Española and SCCF, based on compliance with the specific regulations applicable to this project:

* Proven experience in auditing publicly funded projects in international cooperation.
* Expertise and extensive knowledge of the legislation in the country.
* Experience of the assigned personnel in similar audits.
* Work methodology.
* Cost and method of payment.

**6.- Submission of proposals**

Interested parties must submit a technical and financial proposal to Armenian Caritas, in the format and by the deadline indicated below:

Date of submission of tenders: before **March 30, 2025**

Place of submission: 8 H. Sargsyan Str., 3 side-street, Gyumri 3118, Shirak Province, Armenia

Person in charge of receiving tenders: **Zara Aghanyan**

**e-mail:** [z.aghanyan@caritas.am](mailto:z.aghanyan@caritas.am)

Form of submission: in writing in a sealed envelope

In digital version to the above-mentioned e-mail addresses

**6.A- Formalisation and Performance of the Contract:**

**The auditing firm will formalise a contract with Armenian Caritas for the audit to be carried out.**

The successful tenderer undertakes to carry out the contract itself, and the assignment or subcontracting of the same to a third party is expressly prohibited, unless expressly authorised by Cáritas Española and SCCF.

Furthermore, the contractor will be liable for the consequences that may arise from the lack of truthfulness in the content of all statements made by them in the fulfilment of the obligations arising from these specifications and the contract they sign.

The audit fees will be covered by Armenian Caritas.

ANNEX I: STRUCTURE OF THE AUDIT REPORT

The following is the estimated table of contents of the final report presented by the Auditors to **the national management of Armenian Caritas** and to be approved by Cáritas Española. In each section the content that must be found is developed. These terms are always the same, accepting any extension that further clarifies the headings.

1. **Project Overview**

The data identifying the project, number, title, and period of execution will be presented, comparing the actual dates of start, end, and submission of reports with the dates that were programmed. The executing entity and its partners, as well as the different funders, shall also be identified.

1. **Background and Scope of Work**

Presentation of the objective of the audit and the applicable regulatory framework (legislation governing the funding of the project and its implementation), as well as principles and rules included in the funding contract and internal rules of the executing entity.

Description of the procedure followed during the audit, specifying the verifications carried out.

**3.1. Results of the Verifications**

3.2. On the Financial Report

Showing a comparative table between the expenditure allowed per item and the actual expenditure incurred, explaining the deviations. Including a cash flow statement with its final balance.

3.3. On Individual Expenditure Supporting Documents

With an annex detailing the supporting documents checked and the incidents detected.

3.4 On Internal Regulations and Internal Control System

6.1. Degree of compliance with internal regulations

6.2. Adequacy and effectiveness of the internal control system

3.5 Insert the table of the upon procedures with your comments on it

**Conclusions and Recommendations**

* General conclusions.
* Conclusions on the incidents detected in the expenditure supporting documents.
* Letter of recommendations on internal control systems.

ANNEX II: <CONTENTS OF THE ANNEX>

<Include Caritas Española and SCCF justification regulations and other reference texts for the auditor>