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بتمويل مشترك من الاتحاد الأوروبي



## Terms of Reference for External Audit Verification

“Nazaha” EU support to social accountability and empowering Civil Society  
for better governance project

(06/11/2023)

Period covered by the audit:

Mission One: 17<sup>th</sup> April 2022 to 31 October 2023

Mission Two: 17<sup>th</sup> April 2022 to 16<sup>th</sup> Sep 2025.

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## Introducción: General Data

Al-Hayat Consultancy for development research, is a limited liability company, committed to empowering individuals and civil society organizations through research, advocacy, and capacity-building initiatives, promoting civic engagement, and increasing access to evidence-based information, particularly for marginalized communities, including women, youth, and persons with disabilities. Established in Jordan-Amman in 2016, with registration number 42652 The office's address is King Abdullah II St. Amman Jordan.

This document describes the terms and conditions for hiring an audit firm responsible for carrying out the expenditure verification in compliance exercise for the Project Nazaha: Support to Social Accountability and Empowering Civil Society for Better governance, *file number Ref/2022/SPE/0000400084, Ref/2022/SPE/0000400103, and 2022/SPE/0000400101*. The audit, due to its approach, involves a systematic review of the activities of the Project in relation to the fulfillment of the objectives and goals and the correct use of the resources. Within the framework of accountability and internal control project, the audit is designed to ensure transparency in the use of resources by means of clear, consistent and reliable procedures.

The Al-Hayat Consultancy for development research wish to hire an external final audit, which is mandatory in the intervention implemented under the following Grant awarded by AECID:

	Ref #	Title	Amount of the Grant awarded EUR	Implementing period
1	2022/SPE/0000400084	Project Nazaha: Support to Social Accountability and Empowering Civil Society for Better governance, Component 1	1,293,336	Apr 17 <sup>th</sup> 2022 to Sep 16 <sup>th</sup> 2025 40 Months.
2	2022/SPE/0000400103	Project Nazaha: Support to Social Accountability and Empowering Civil Society for Better Governance, Component 2	979.492	Aug 26 <sup>th</sup> 2022 to Aug 25 <sup>th</sup> 2025 36 Months.
3	2022/SPE/0000400101	Project Nazaha: Support to Social Accountability and Empowering Civil Society for Better Governance, Component 3.	829,022	Sep 1st, 2022, to Aug 31st, 2025. 36 Months.

## Background information:

The "Nazaha" EU support to social accountability and empowering Civil Society for better governance project is a starting point for strengthening the capacity and internal governance of both civil society Organizations (CSOs) & civil-based Organizations (CBOs) and enabling them to hold the government accountable at a local and national level. Thus, for the CSOs to have credibility and legitimacy to hold the government accountable and create a positive change, their internal capacity must be developed to create a more conducive environment for them to make a positive change.



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The project will be working on three outputs; 1) enhancing Social accountability based on developing a capacity-building scheme and standards of accountability addressing CSOs and CBOs, 2) Enhancing social accountability targeting CSOs, CBOs, and youth through building their capacities and enhancing their ability to play a role on the policy-making processes, and 3) tackling a participatory approach at all levels of the development processes, to allow citizen's contribution on transparency and accountability.

Technically the project will work on developing a self-regulatory system for CSOs and CBOs in Jordan, this system is expected to consist of two parts: 1) Code of Conduct, and 2) Self-Certification System (supported with rewarding scheme).

### Objective of the Audit:

The objectives of the audit of the sub-grants are to:

- Provide an independent professional opinion on the projects' financial statements, which includes an opinion on the eligibility of expenditure, compliance with the relevant legal agreements and those funds that have been used for their intended purposes.
- Verify that the financial statements provide a true picture of the projects' finances.
- Verify the plausibility of expense items.
- Verify that the use of funds is in accordance with the objectives and results as outlined in the project proposal, as well as any changes to those that have been communicated or not to the contracting authority.
- Verify that the Project funding provided has, in all material respects, been used in conformity with the applicable Contractual Conditions, and to facilitate determination with the Entity of any balance of funding which is payable or recoverable.
- The agreement/contractual terms and conditions referred to in this audit are set out in the grant Agreement signed between AECID and the beneficiaries.
- Verify compliance of expenses with budget items.
- Verify that the relevant procedures have been applied according to the grant agreements with AECID and the beneficiaries.

### Coverage of the Audit:

The audit would cover the application of funds at the following places:

- Nazaha PMU with comp 1: Al Hayat Rased offices, Amman.
- Nazaha comp 2: Al Hayat Rased offices, Amman.
- Nazaha Comp 3: Rasheed TI offices, Amman.

The Organizations/beneficiaries must present the following (But not limited to and if applicable):

- 1) The budgetary breakdown of expenses by activity
- 2) The chronological list of all expenses for the period
- 3) Financial report.
- 4) The list of personnel hired for the management and execution of the project.
- 5) The list of all contracts for goods and services with indications of their budgeted and contracted amount, start date, award, contracting modality, amendments, penalties, planned and actual termination date. The audit will also verify the existence and due custody of the products acquired through these contracts, whether in goods and/or services.
- 6) Proof that indirect taxes are not legally recoverable (if applicable), or they have not been recovered.
- 7) Accreditation of bank transfers and exchange rates.
- 8) List of all editable dissemination materials produced during the intervention.
- 9) Supporting documents for each of the individual expenses.



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### Audit Scope:

The audit should be carried out in accordance with the relevant international standards of auditing and will include such tests and controls as the auditor may consider necessary. In conducting the audit, special attention should be paid to the following:

- All funds provided by AECID have been used in accordance with the conditions specified in the legal agreements, with due attention to economy and efficiency, and only for the purposes for which the financing is provided.
- Goods, works and services financed have been procured in accordance with the established rules and procedures.
- Appropriate supporting documents, records and books of accounts relating to all activities have been kept. Clear linkages should exist between the books of accounts and the financial statements presented to.
- The financial statements have been prepared by each of the Grant/contract management in accordance with applicable accounting standards and give a true and fair view of the financial position of each of the above-mentioned organizations of their receipts and expenditures for the entire implementation period.
- Express an opinion as to reasonableness of the financial statements in all material respects.
- The project financial statements have clear linkages with the books of accounts maintained as per the agreed accounting procedures and are in accordance with the applicable accounting standards.
- National laws and regulations have been complied with, and that the financial and accounting procedures approved for the project.
- Include in their reports opinion on compliance with procedures designed to provide reasonable assurance of detecting misstatements due to errors or fraud that are material in the financial statements.
- Conduct entry and exit meeting with the beneficiary entity and AECID staff assigned to the supervision of the project.

### Applicable legal framework

For the completion of the audit, the firm audit shall be based on the following legal framework:

- General Law 38/2003 of Subsidies of November 17 (BOE November 18).
- Royal Decree 887/2006, of July 21, which approves the Regulation of the Law 38/2003.
- Royal Decree 794/2010, of June 16, regulating subsidies and grants in the field of international cooperation.
- Grant Resolution Ref.: 2022/SPE/0000400084 and 2022/SPE/0000400103.
- Delegation Agreement ENI/2021/422-941, signed between EU and AECID
- General Conditions for the Agreement -Annex II

This Audit will cover the expenditure for the period of implementation of the 3 grants awarded to Al Hayat-Rased and Rasheed TI, from the **beginning until the 31<sup>st</sup> of October 2023** (based on individual grant award conditions).

The scope of audit testing will be based on the application of sampling techniques for expenditure testing and evaluation of the internal control system, as well as other checks with third parties, or others that may be necessary. For the submission of bids, auditing firms must indicate **the percentage of the total grant amount they will undertake to review in accordance with international auditing standards. The audit firm must take into account in its selection criteria that the sample must be representative for each type of expenditure, including samples of minor, intermediate and major expenditures.**

### Deliverables



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The documents and report should be presented in **ENGLISH**

- 1) A **Work Plan**, schedule of activities and methodology delivered no later than one week after the signing of the contract that will be reviewed and approved by the contracting entity.
- 2) **Audit Report:** The auditors will express a professional opinion on the true and fair view of the project operations for each grants. The project financial statement should include:  
Uses of funds: A summary of expenditures shown under the main project components/ activities/ sub-activities.
- 3) **Management letter:** The auditor should also provide a management letter summarizing the observations on the accountability and internal control issues. These would include the following:
  - Comments and observations on the accounting records, systems and controls that were examined during the course of audit.
  - Specific deficiencies and areas of weakness in systems and controls and recommendation for improvement.
  - Matters that have come to the attention during the audit which might have significant impact on the implementation of the project.
  - Any other matter that the auditor considers significant to report to the management.

The observations in the management letter must be accompanied by the implications, suggested recommendations from the auditors and the management comments on the observations/ recommendations.

**Duration:** The audit is expected to start on 15<sup>th</sup> of November 2023 and should be finalized by 25<sup>th</sup> of November 2023. Another mission will take place at the end of all the projects in 2025.

#### **Qualification of the auditor firm:**

The auditor(s) must be completely impartial and independent from all aspects of management or financial interests in the entities being audited. The auditor should 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 or close business relationships with any of the entities in any capacity.

By subscribing to these ToRs, the auditing firm confirms that he/she is/are a member(s) of a national institute of accounting or official auditing, which is itself a member of the International Federation of Accountants (IFAC). The audit firm will be surrounded by a team with appropriate professional qualifications and experience in carrying out reports on development aid projects financed with funds from international donors.

The following skills and experience are required for the mission:

1. Experience of the audit firm: minimum 5 years and have carried out at least 3 audits to similar projects.
2. Experience of the auditor/auditors' team: Minimum of 5 years of experience in conducting audits to private entities or in the public sector.

#### **Submission Process/Cost of auditing service:**



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The interested audit firm should submit Technical and Financial proposals by email to [Hamza.h@hayatcenter.org](mailto:Hamza.h@hayatcenter.org). Please mention 'Technical Proposal' and 'Financial Proposal' with the name of the audit firm in the subject.

The auditor or auditing firm should send a comprehensive budget for undertaking this task. Expenses should be broken down per budget category.

The deadline for the submission of proposal is 09 of Nov 2023 @ 4.00 pm.

- Other key documents to be submitted along with 'Financial and Technical Proposals' are as follows:
  - Company profile, structure, staff strength
  - Legal documentation that enables the firm to operate in Jordan in this field
  - Past Audit experiences - list of NGOs of external audit carried out.

#### Evaluation criteria:

- Price/ Cost of auditing service
- Experience of consultant/firm- especially in auditing projects for Civil Society Organizations