

## **TERMS OF REFERENCE (TOR) FOR AUDITS OF PROJECTS THAT ARE GRANT-FUNDED BY THE GERMAN FEDERAL MINISTRY FOR ECONOMIC COOPERATION AND DEVELOPMENT (BMZ)**

The following are the Terms of Reference on which The Engaging Party (hereinafter referred to as **“The Beneficiary”**) agrees to engage The Contractor (hereinafter referred to as **“The Auditor”**) to carry out the contractually agreed audit(s) of a BMZ grant-funded project with the associated reporting.

The TOR are an integral part of the contract concluded between The Engaging Party/The Beneficiary and The Contractor/The Auditor for the purpose of this/these audit/s.

### **1. PARTIES INVOLVED**

The **German Federal Ministry for Economic Cooperation and Development (BMZ)** is the major funder of the project to be audited. It provides 75% of total project funding. The BMZ has commissioned an administrative authority – **Bengo** - to handle the reporting and financial management of its approved projects on its behalf. The funding guidelines underlying this grant are laid down in a grant contract that was concluded between Bengo and Kindernothilfe e.V. (see below). Among other things, these guidelines also require project audits to be carried out and audit reports to be submitted in accordance with the specific requirements of these TOR.

German-based NGO **Kindernothilfe e.V. (KNH)** is the direct contractual partner of the BMZ/Bengo for this project. KNH is the partner of The Beneficiary for the realization of the project and for ensuring accountability to the BMZ/Bengo. KNH provides 25% of the project funds and forwards the BMZ funds together with its own funding share to The Beneficiary for the implementation of the project. For this purpose, KNH has concluded a Project Agreement with The Beneficiary. This Agreement and its annexes set out the funding guidelines that KNH and The Beneficiary must comply with for implementation and financial accountability. The Project Agreement and its annexes are the key documents of reference for The Auditor in the performance of the audit.

**The Beneficiary** is the implementing organisation for the project in the project country. It is the final recipient of the grant that was approved by the BMZ and KNH for this project. The Beneficiary is responsible for providing a financial report with an associated voucher list for the project and for ensuring that this financial report and voucher list can be properly reconciled to The Beneficiary's accounting and bookkeeping system and to the underlying accounts and records.

**The Auditor** is responsible for performing the project audit(s) as specified in these TOR, and for submitting a report of factual findings to The Beneficiary and KNH. The Auditor is a member of the national accounting or auditing association in its country of residence.

### **2. ENGAGEMENT TYPE AND OBJECTIVE**

These TOR describe the requirements for an engagement to perform specific agreed-upon procedures regarding the audit(s) of the BMZ/KNH-grant-funded project referred to in the **“Contract for the Performance of Project Audits”** concluded between The Engaging Party/The Beneficiary and The Contractor/The Auditor. The objective is to verify that the expenditure claimed by The Beneficiary in the financial report has occurred (**“reality”**), is accurate (**“exact”**) and eligible and to submit to The Beneficiary and KNH a report of factual findings with regard to the procedures performed. Eligibility means that the funds provided for the project have been spent in accordance with the terms and conditions of the Project Agreement and its associated annexes.

TOR for BMZ Project Audits

### **3. SOURCES OF INFORMATION**

The following sources of information must be consulted by The Auditor in the auditing process and are to be made available to the Auditor by The Beneficiary. As available and relevant information sources may vary from project to project, the following list must be adapted according to the project characteristics and audit requirements:

- Bylaws & Standing rules of The Beneficiary
- Ledger Accounts
- Organizational policies for financial management and internal controls, organizational codes of conduct (e.g. on corruption prevention and case management), HR guidelines and internal regulations, as, for example, for the safeguarding of assets, for travel expenses or per diems.
- The Project Agreement concluded between The Beneficiary and KNH with all associated annexes (project proposal document, project Financing Plan in EUR and local currency, templates for the structure and content of the financial report and the associated voucher list, template for the project inventory list).
- All project-relevant bank statements, bank books and deposit slips
- Check book register / cancelled checks (including voids)
- Handing over and distribution lists
- If applicable, any approved project amendment document with the approved Financing Plan valid at the time of the audit.
- The financial report to be prepared by The Beneficiary for each audit with an associated voucher list.
- All project-relevant information in The Beneficiary's accounting and bookkeeping system and its underlying accounts and records, e.g. all invoices, transfer receipts or other payment documents related to the project expenses.
- Evidence of all project revenue (from KNH transfers, interest income accrued to the project account, target group contributions or income received from third parties for the use of project outputs/services). With regard to transfers received from KNH, such evidence is, in particular, all receipts for project funds credited to The Beneficiary's EUR or local currency account, all transfers of project funds from a EUR account to a local currency account, all information on the exchange rates on the respective dates of funds conversion.
- All project-related contracts (personnel and fee contracts, rental contracts, construction contracts, etc.).
- With regard to project personnel costs: The project staff and salary table on which the approved Financing Plan is based, with information on the number and positions of project staff, their project-attributable share of working hours and their approved salaries and, if applicable, approved additional payments.
- Time sheets for the employees paid partially by the project
- A current inventory list of project assets
- Project vehicle logbooks including insurance & fuel control / maintenance and repair records
- All project-related procurement documents (tenders with order specifications (i. a.), offers received, documented offer selection and order placement).
- To answer questions that cannot be resolved by the consultation of documents, access to the appropriate organizational and/or project staff member(s) for an interview is to be sought.

### **4. SCOPE OF WORK – PROCEDURES TO BE PERFORMED**

### **Obtaining a sufficient understanding of the project and of the Terms and Conditions of the Project Agreement including any approved amendments**

The Auditor obtains a sufficient understanding of the terms and conditions of the grant management by reviewing the Project Agreement and its annexes and other relevant information (see above), and by inquiry of The Beneficiary. If The Auditor finds that the terms and conditions are not sufficiently clear, The Auditor should request clarification from the Beneficiary and/or KNH as the direct contractual partner of the BMZ for this project.

### **Grant Requirements (Compliance) & Audit Procedures**

The table below sets out the BMZ's requirements for the individual aspects of project fund management and the audit procedures to be performed. The Auditor has to describe the resulting findings and must classify any detected errors and deficiencies according to the risk and impact that they present for the financial transparency and accountability of project fund management as well as according to their probable cause.

### **Categorization of Audit Findings by Risk/Impact Severity**

#### Low (all criteria apply)

- The terms and conditions of the Project Agreement and its annexes are mostly complied with.
- The use of funds is documented in a comprehensible manner on the basis of the project and payment documents.
- Any errors identified can be easily corrected.
- The whereabouts of transferred project funds and their use for intended project purposes are fully verifiable.

#### Medium (all criteria apply)

- The terms and conditions of the Project Agreement and its annexes are partially complied with.
- Through corrections and supplementary documentation, the use of funds can be documented in a comprehensible manner on the basis of the project and payment documents.
- The weaknesses identified can be remedied quickly and with simple measures.
- The whereabouts of transferred project funds and their use for intended project purposes are fully verifiable.

#### High (one or more criteria apply)

- The terms and conditions of the Project Agreement and its annexes are considerably disregarded.
- The use of funds is no longer clearly comprehensible.
- Addressing the identified weaknesses requires far-reaching changes to internal policies or comprehensive capacity-building measures aimed at staff qualification or technical equipment.
- The loss of project funds cannot be excluded.

Extremely high (one or more criteria apply)

- The terms and conditions of the Project Agreement and its annexes are repeatedly and/or seriously disregarded.
- The use of funds is not comprehensible.
- Identified weaknesses are multiple and require far-reaching changes to internal policies or comprehensive capacity-building measures aimed at staff qualification or technical equipment.
- A loss of project funds has been substantiated.

**Categorization of Audit Findings by their probable Cause**

Compliance

- Failure to comply with the terms and conditions of the Project Agreement and its annexes due to grossly negligent financial and administrative mismanagement and intentional acts, including fraud and corruption.

Guidelines

- Absence of written procedures to guide staff in the performance of their functions

Guidance

- Inadequate or lack of supervision by supervisors

Human error

- Mistakes committed by staff entrusted to perform assigned functions

Resources

- Lack of or inadequate resources (funds, skills, staff, etc.) to carry out an activity or function

No.	Grant Requirements	Prescribed Audit Procedures	Factual Audit Findings	Risk/Impact Severity	Probable Cause
4.1	<p><b>The Beneficiary's organization-wide and project-related financial management system with all its key functions and internal controls must meet generally accepted financial management &amp; accounting standards.</b></p> <p><b>The Beneficiary must have a double-entry bookkeeping system.</b></p> <p><b>The software used for the accounting of project expenses must allow a separate presentation of project income and expenditure for each individual project.</b></p> <p><b>Cash and bank balances are reconciled on a monthly basis and signed by project management.</b></p>				
	<p><u>In the first project audit:</u> The Auditor makes inquiries with the Beneficiary to get a sufficient understanding of The Beneficiary's financial capacities, policies and accounting structure with regard to issues pertaining to the sound financial management of BMZ funding and compliance with BMZ terms and conditions. Areas to be looked into are, for example, financial policies and internal control procedures with regard to the segregation of duties, the prohibition of conflicts of interest and confidential payments, supervision &amp; regular checks, enacted measures to prevent irregularities, fraud and corruption or verification and management of assets.</p> <p><u>In following project audits:</u> The auditor inquires of The Beneficiary about any changes in the above-mentioned structures, policies or procedures and examines such changes for their impact on compliance with BMZ funding guidelines.</p> <p><u>If applicable:</u> The auditor examines whether recommendations for improvements made in the first audit report have been implemented by the Beneficiary.</p>		[Factual Audit Findings]	[Risk/Impact Severity]	[Probable Cause]
4.2	<p><b>The financial report and the associated voucher list are available and complete, comply in structure and content with BMZ requirements and can be properly reconciled to The Beneficiary's accounting and bookkeeping system and to the underlying accounts and records.</b></p> <p><b>In preparation of the financial reports and associated voucher lists, the instructions and templates provided in the Project Agreement and its annexes are respected.</b></p>				
	<p>The Auditor examines the structure and content of the financial report and voucher list with regard to compliance with BMZ requirements, as laid down in the Project Agreement and its annexes.</p> <p>The Auditor examines whether the financial report and voucher list can be properly reconciled to The Beneficiary's accounting and bookkeeping system and to the underlying accounts and records.</p>				

	The verified financial report and the associated voucher list must be attached in an annex to the audit report.			
4.3	<p><b>An officially approved amendment to the grant contract, Project Agreement and attached Financing Plan is required if a) the expenditure for any main budget line is in excess of 30% of planned expenditure, b) if major strategies/activities are changed in the course of the project, c) if the official project duration and the expenditure period have to be extended and d) if the project budget has been increased or reduced with the approval of the BMZ / KNH.</b></p> <p><b>All project amendments that have been approved since the initial project approval with their possibly resulting changes in the project's Financing Plan must be properly documented and implemented in the project's accounting and bookkeeping system with its underlying documents.</b></p>			
	<p>The Auditor examines whether any project amendments have been approved since the initial approval of the project and whether such changes are duly reflected in the corresponding accounting and bookkeeping system and documents.</p> <p>The Auditor describes all officially approved changes that have been made to the project since its initial approval.</p>			
4.4	<p><b>The Expenditure Coverage Ratio (ECR) represents the total amount of expenditure verified by The Auditor expressed as a percentage of the total amount of expenditure reported by The Beneficiary in the financial report.</b></p> <p><b>Each project expenditure must be assigned to one of the following main budget lines, which in turn are divided into project-specific sub-budget lines: 1.1 Investment; 1.2 Operating Expenditure; 1.3 Personnel; 1.5 Studies &amp; Evaluation.</b></p>			
	<p>The Auditor ensures that the overall ECR is at least 65%. The Auditor furthermore ensures that the ECR for each main budget line <u>and</u> sub-budget line in the financial report is at least 20%. If The Auditor finds unusual expenses, the verification procedures are to be extended.</p> <p>The Auditor ensures a systematic and representative verification. Value should be the principal factor used by the Auditor to select expenditure items or classes of expenditure items for verification.</p> <p>The Auditor may apply statistical sampling techniques in the verification of the expenditure according to the different main and sub-budget lines of the financial report.</p> <p>The Auditor explains in the audit report for which main or sub-budget lines of the financial report/Financing Plan sampling has been applied, the method used in sample selection, the results obtained and whether the chosen sample can, in the Auditor's opinion, be seen as representative with regard to the distribution of total expenditure.</p>			

4.5	<p><b>The Beneficiary has to comply with generally accepted rules for accounting and record keeping.</b></p> <p><b>Project funds must be used economically and exclusively for the intended project purpose, i.e. in line with the objectives and activities described in the project document.</b></p> <p><b>All payment records must be complete and correct. Each payment must be supported by proof of payment (e.g. invoices, transfer receipts or cash receipts). For each individual payment, these payment receipts must contain information about the payee, the payment date, the payment amount and the purpose of payment. Each payment receipt must be clearly and unambiguously assigned to the project by stamping it with the project number and / or the project title. Furthermore, the number of the main or sub-budget line under which the respective payment is accounted must be noted on each payment receipt.</b></p>			
	<p>The Auditor examines whether the Beneficiary has complied with the following rules for accounting and record keeping:</p> <ul style="list-style-type: none"> <li>• The accounts kept by the Beneficiary for the implementation of the project are accurate and up-to-date;</li> <li>• Recorded project expenses have been signed off in accordance with the formal authorisation levels and in respect of the four-eyes principle;</li> <li>• The accounts and expenditure relating to the project are easily identifiable and verifiable. Each expenditure is properly documented. In particular: <ul style="list-style-type: none"> <li>o Expenditure is identifiable, verifiable and recorded in the accounting records of the Beneficiary;</li> <li>o Payment slips and supporting payment documents carry all required information.</li> </ul> </li> </ul> <p>The Auditor verifies, for each expenditure item selected under the ECR the Beneficiary's respect of the eligibility criteria set out below:</p> <p>(1) Costs actually incurred The Auditor verifies that the expenditure for a selected item was actually incurred by and pertains to The Beneficiary and the project under review. For this purpose the Auditor examines supporting documents (e.g. invoices, contracts) and proofs of payment. The Auditor also examines proof of work done, goods received or services rendered and verifies the existence of assets where applicable.</p> <p>(2) Budgeted for The Auditor verifies that the expenditure for a selected item was indicated in the project budget.</p> <p>(3) Necessary The Auditor verifies whether it is plausible that the expenditure for a selected item was necessary for the implementation of the project and that it had to</p>			

	<p>be incurred for the contracted activities of the project by examining the nature of the expenditure with supporting documents.</p> <p>(4) Recorded The Auditor verifies that expenditure for a selected item is recorded in The Beneficiary's accounting system and was recorded in accordance with the applicable accounting standards of the country where The Beneficiary is established and The Beneficiary's usual cost accounting practices.</p> <p>(5) Justified The Auditor verifies that expenditure for a selected item is substantiated by evidence and notably the supporting documents. Supporting evidence</p> <ul style="list-style-type: none"> <li>• must be available in documentary form, whether paper, electronic or other medium (e.g. a written record of a meeting is more reliable than an oral presentation of the matters discussed);</li> <li>• must be available in the form of original documents rather than photocopies or facsimiles;</li> <li>• should preferably be obtained from independent sources outside the entity (an original suppliers' invoice or contract is more reliable than an internally approved receipt note);</li> <li>• which is generated internally is more reliable if it has been subject to control and approval.</li> </ul> <p>(6) truly valued The Auditor verifies that the monetary value of a selected expenditure item agrees with underlying documents (e.g. invoices, salary statements) and that correct exchange rates are used where applicable.</p> <p>(7) correctly classified The Auditor examines the nature of the expenditure for a selected item and verifies that the expenditure item has been classified under the correct (sub)budget line of the financial report.</p>			
4.6	<p><b>The Beneficiary has to keep a separate bank account in local currency for the project. To this account all project income is to be credited and from this account all project expenditure is to be made. If funds from BMZ/KNH are received on an account denominated in a currency other than the local currency (i.e. in EUR), the total amount of the funds received is to be transferred immediately to the project's local currency account.</b></p>			
	<p>The Auditor consults the relevant bank documents to examine whether all requirements for the project account described are being met.</p> <p>The Auditor describes the procedures used by The Beneficiary to transfer EUR amounts into the local currency and to determine the local currency amount of received income.</p>			



4.7	<p><b>Receipt of all funds in EUR and their transfers to the local currency account are to be documented in the form of bank statements showing the individual dates of receipt on each account and the amounts in EUR and in local currency received.</b></p> <p><b>Any income from interest accrued on the project account is to be documented and reported.</b></p> <p><b>Any financial contribution from the target group or third parties is to be documented and reported.</b></p>
	<p><u><b>KNH Fund Transfers:</b></u> The Auditor examines The Beneficiary's records of bank transactions to determine the dates of receipt of KNH transfers, the EUR-amounts received and their respective amounts in local currency after conversion. All revenue received by the project in the reporting period through <u>KNH transfers</u> has to be listed with the respective dates of receipt, the amounts received in EUR and the corresponding amounts in local currency. Upon request, KNH provides The Auditor with a complete list of payments that were made to The Beneficiary in the reporting year.</p> <p>The Auditor examines whether any <u>interest</u> income has accrued to the project account in the reporting period. If <u>interest</u> has been accrued on the project account, then the interest amount accrued must be listed as additional revenue for the project.</p> <p>The Auditor further examines whether any project-attributable <u>financial contributions from target groups and/or third parties</u> have been received in the reporting period and whether such contributions were properly recorded. Any financial contribution made to the project by the target group and/or third parties is to be documented in the audit report with information about the payer(s), the purpose(s) of payment, the payment amount(s) and the payment date(s).</p>
4.8	<p><b>Expenditure for salaries and ancillary salary costs (e.g. social security contributions or severance payments) must correspond to the budgeted amounts in the staff &amp; salary table, which was the basis of calculation for the "Personnel" budget line of the approved project Financing Plan.</b></p> <p><b>The salary levels for the respective staff positions must be customary for the project country.</b></p> <p><b>All statutory duties, such as taxes or social security contributions, must be paid as required by law.</b></p> <p><b>For each audit period, The Beneficiary prepares a list of project staff with their positions and work share in the project, the salaries received in the period under review and all ancillary salary costs paid (staff &amp; salary list for project audits).</b></p> <p>The Auditor examines the employment contracts of the project employees for correctness and completeness and for compliance with the initial staff &amp; salary list that was the basis for calculation of approved personnel costs. Upon verification, the list is to be attached to the audit report in an annex.</p> <p>Furthermore, The Auditor verifies the list of project employees, their positions, work shares and salaries that was prepared by The Beneficiary for the period under review against the staff</p>

	<p>&amp; salary list on which the calculation of the approved personnel costs was based as well as with the financial information of the financial report and the accounting system.</p> <p>The Auditor furthermore examines whether salary levels for the respective staff positions are customary for the project country and reports the findings.</p> <p>The Auditor furthermore examines whether any ancillary payments, such as taxes and social benefits have been paid as required by law.</p>			
4.9	<p><b>The term “in-kind contribution” refers to any non-cash contribution given to a project that has a monetary value, but for which the project is not being charged. It can be seen as a gift/ donation given to the project.</b></p> <p><b>The Beneficiary may not declare in the accounting system or in the financial report any costs or expenses for goods or services received free of charge.</b></p>			
	<p>The auditor examines whether the project received any contributions free of charge in the form of goods or services in the reporting period and whether any costs / expenses were declared for such contributions. Such costs / expenses are to be assessed as ineligible project expenses.</p>			
4.10	<p><b>Payments made before receipt of goods and services may only be agreed or effected if this procedure is justified by special circumstances. The reasons and any related information for such payments must be indicated in respective payment documentation.</b></p> <p><b>Any advance payment on wages and salaries to organizational and project staff from project funds is strictly prohibited.</b></p>			
	<p>The Auditor examines whether any advance payments for the purchase of goods and services or in the form of advanced salary or wage payments for organizational and project staff were made in the period under review. In the case of goods and services The Auditor examines whether these advance payments were necessary and unavoidable in view of special circumstances in the project country.</p>			
4.11	<p><b>Any payment made before the official start date of the project or after its official end date is generally ineligible unless it is justified by special circumstances.</b></p>			
	<p>The Auditor verifies that the expenditure for a selected item was incurred during the officially approved implementation period of the project. Any payments made outside of the official project period must be listed separately in the audit report in order to allow the BMZ and KNH an examination of their eligibility.</p>			
4.12	<p><b>The Beneficiary may exceed planned expenditure in the main budget lines in the Financing Plan by up to 30% to the debit of other budget lines, if the attainment of the project objectives makes this necessary. Increases of more than 30% and all changes of quantities require the prior approval of BMZ/KNH in the form of an officially approved project amendment.</b></p> <p><b>For all deviations of the actual expenditure from the budgeted cost estimates – <u>in the form of spending overruns and in main budget lines or sub-budget lines</u> - an explanation and justification is required.</b></p>			

	<p>The Auditor reports on expenditure incurred in the reporting year and adds the expenditure amounts per budget line to the "Cumulated Expenditure before the current report" in a column "Cumulated expenditure since project start" [see reporting format in section "reporting requirements"].</p> <p>The Auditor compares total expenditure per budget line with the budgeted amounts in the most recently approved Financing Plan in order to determine the deviations from the planning in %. For all main budget lines and sub-budget lines for which the actual expenditure exceeds the planning amounts by more than 30%, The Auditor obtains detailed information from The Beneficiary about the reasons for such overspending and lists all relevant deviations with their causes in the appropriate section of the report (5.2.4).</p>											
4.13	<p>Procurement regulations according to BMZ guidelines:</p> <table><tr><th>Contract/ Order value</th><th>Procedure to follow</th></tr><tr><td>≤ € 1,000</td><td>Purchase of goods and services must be made in accordance with the principles of efficiency and economy. No documentation of market/ price research is required.</td></tr><tr><td>&gt;€ 1,000 - € 15,000*</td><td>Direct awarding of procurement orders/contracts for goods and services on the basis of a transparent and documented market/price research (through e.g. telephone enquiries, internet research and print-outs, telephone memos etc.). Offers must be obtained from several suppliers/service providers; <u>the minimum number of offers to be received and documented is three.</u></td></tr><tr><td>&gt; € 15.000*</td><td>If formal procurement procedures are customary in the partner country (in particular for construction contracts and larger supply contracts) these should, as far as it is reasonable, be complied with even if their application is not compulsory for NGOs. Otherwise, orders for goods and services can also be awarded directly on the basis of a solicitation and submission of at least three written offers and a documentation of the procurement process.</td></tr></table> <p><b>*For all purchases or service contracts exceeding an amount of 1,000 EUR, <u>the procurement process has to be documented in writing.</u> This includes providing information on the reason for the purchase/order and making the decision criteria transparent. This documentation must be stored along with the documentation of the preceding market/ price research and all obtained quotations.</b></p> <p><b>The documentation obligation also applies in cases where it is not possible for The Beneficiary to observe the procurement procedure in full. In such cases the Beneficiary undertakes to inform KNH prior before signing a contract about the reasons for a deviation from the procedures listed above.</b></p>				Contract/ Order value	Procedure to follow	≤ € 1,000	Purchase of goods and services must be made in accordance with the principles of efficiency and economy. No documentation of market/ price research is required.	>€ 1,000 - € 15,000*	Direct awarding of procurement orders/contracts for goods and services on the basis of a transparent and documented market/price research (through e.g. telephone enquiries, internet research and print-outs, telephone memos etc.). Offers must be obtained from several suppliers/service providers; <u>the minimum number of offers to be received and documented is three.</u>	> € 15.000*	If formal procurement procedures are customary in the partner country (in particular for construction contracts and larger supply contracts) these should, as far as it is reasonable, be complied with even if their application is not compulsory for NGOs. Otherwise, orders for goods and services can also be awarded directly on the basis of a solicitation and submission of at least three written offers and a documentation of the procurement process.
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	<p>The Auditor uses the exchange rate receipts from the funds transfers to determine an appropriate exchange rate from euros to the local currency. The Auditor uses this exchange rate to determine the local currency equivalents of the amounts listed in the above table.</p> <p>The Auditor states the applicable exchange rate and lists all procurements made in the year under review with a local currency equivalent of &gt; 1,000 EUR and reports on whether the procurement guidelines, including documentation have been complied with. The Auditor hereby takes into account the following risk indicators: a) inconsistencies in the dates of the documents or illogical sequence of dates; b) unusual similarities in offers of candidates participating in the same tender; c) inconsistencies in the selection and award decision process; d) same tenderer (or group of tenderers) win an unusual proportion of bids; e) a tenderer is frequently awarded contracts for different types of goods or services; f) winning tenderer invoices additional goods not foreseen in the offer; g) details on the invoice do not accord with tender details for the good.</p>			
4.14	<p><b>The appropriate and economic use of the project equipment must be ensured. This requirement applies among other things also to the use of project vehicles and/or motorcycles.</b></p> <p><b>If vehicle/transport costs are charged to the BMZ project the following documentation is to be provided in form of a log book that is to be kept by The Beneficiary for each means of transport employed for project purposes. Required information:</b></p> <ul style="list-style-type: none"> <li>• the mileage made each day with an indication of the trips made and their purpose and the names of the driver (and passenger(s), if applicable),</li> <li>• the fuel consumption (with indication of the dates of refuelling and the amount of litters purchased),</li> <li>• the consumption of other kinds of consumables (e.g. tires, filters, lubricants etc.)</li> </ul> <p><b>On fuel receipts and in invoices for maintenance or repair work for project vehicles or motorcycles, information on the vehicle's/motorcycle's brand and registration/licence plate number are to be included to allow an easy allocation of the payment documents to the project's vehicle fleet.</b></p>			
	<p>The Auditor performs an examination of the project vehicle(s) log book(s) and checks for the completeness of entries, the reasonableness of indicated trips and their purposes and the reasonableness of the vehicle(s)'s actual fuel consumption and its consumption of other consumables (e.g. tyres, filters, lubricants...). The Auditor furthermore verifies whether all payment vouchers related to maintenance, repairs or the purchase of fuel, lubricants, spare parts... carry information on the licence plate/registration. The auditor checks whether the license plate/registration corresponds to a means of transport from the project's fleet.</p>			

4.15	<p><b>The Beneficiary must ensure that the project assets are handled and stored properly and securely. The Beneficiary shall draw up and submit an inventory of all items procured with project funds, the manufacturing or purchasing value of which exceed the local currency equivalent of 800 EUR (exclusive of VAT). The format and content of this inventory must comply with the requirements of the corresponding appendix to the Project Agreement.</b></p> <p><b><u>If for special reasons, the federal government is or becomes the owner of such items this must be clearly indicated in the inventory.</u></b></p>			
	<p>The Auditor examines whether internal organizational policies are in place to ensure the proper and secure management, storage and documentation of project assets. The Auditor carries out random checks to ascertain the whereabouts of purchased project goods.</p> <p>Furthermore, the Auditor examines whether the inventory list created by The Beneficiary complies with the BMZ requirements and is in accordance with the template in the annex to the Project Agreement.</p> <p>The Auditor reports which inventory items were chosen as samples to verify the project inventory and its management, storage and documentation against BMZ guidelines. An inventory list which is to be updated annually by The Beneficiary in accordance with BMZ specifications is to be attached to the audit report.</p>			
<p><b><u>All project-applicable BMZ requirements have to be complied with.</u></b></p>				
<p><b>At the appropriate position of the audit report (see 5.2.6), The Auditor issues a final, comprehensive opinion on whether all project-applicable BMZ requirements have been complied with.</b></p> <p><b>All material findings resulting from the audit process must be documented with their potential impacts. (see point 5.2.5 of the audit report).</b></p> <p><b>The Auditor is to state all immaterial audit findings in a Management Letter. In the Management Letter, The Auditor must also make recommendations for improvements.</b></p> <p><b>The auditor must obtain a statement from the management of The Beneficiary on the findings and recommendations in the Management Letter (i.e. a Management Response) and attach both documents as a required addition to the audit report.</b></p>				

