# Binding Terms of Reference for engaging a public auditor/auditing firm

***Based on a company’s size, as outlined in section 267 of the German Commercial Code (HGB), one of the following must be engaged to carry out an audit:***

***- a public auditor (‘Wirtschaftsprüfer’)***

***- a chartered accountant ('vereidigter Buchprüfer') or***

***- a tax advisor (‘Steuerberater’ – for companies not required to be audited)***

**1. Use of development partnership with the private sector funds in accordance with the price schedule
(Annex 2 to the contract)**

The audit includes verification of the arithmetic correctness of the statement of account and reconciliation of the amounts invoiced with those of the accounting system and of the original vouchers.

Allocation of costs to the items agreed in the price schedule in accordance with the contract must be examined, taking due account of section 3 of the supplementary terms and conditions for development partnerships with the private sector (EPW-EVB) and the annex ‘Guidelines on costs eligible for reimbursement and financial processing in development partnerships with the private sector’. Any discrepancies must be listed separately.

Any revenue must be shown separately in the statement of account and examined for completeness (e.g. allocation to a special project account and carrying out of a cut-off examination, where applicable).

Besides examination of individual items (random samples of the original vouchers) a plausibility check must be carried out for the invoiced costs. Specifically, compliance with the provisions stipulated in section 3 of the supplementary terms and conditions (EPW-EVB) must be audited, together with the separate statement of statutory VAT in invoicing.

**2. Settlement of prime costs in accordance with the contract**

The prime costs shown for the PRIVATE COMPANY’s employees must be examined in accordance with the requirements of section 3.4.1 of the supplementary terms and conditions (EPW-EVB) and any discrepancies must be explained.

The level of the remuneration invoiced must be examined by comparing it with payroll accounting.

The following records must be examined to provide evidence of costs.

* Timesheets for the person days invoiced (bill of quantities).
* Individual statements of travel expenses (travel time/date shown, destination, number and names of travellers, purpose of travel) and submission of the original travel vouchers.
* The used original air ticket and submission of the invoice.
* Explanation of prime costs invoiced for self-manufactured materials and equipment in accordance with section 3.4.4 of the supplementary terms and conditions (EPW-EVB).
* List of individual vouchers (overview) for the procurement of materials and equipment and submission of the purchase vouchers.
	+ Except for capital goods, the original handover record (GIZ form 24-7) must be submitted together with the inventory list GIZ Form 83-10 (the forms are part of the annex to the contract 'GIZ regulations and the taking of inventories and handing over equipment and materials').
* List of individual vouchers (overview) for 'Other costs', and submission of the corresponding vouchers.

**3. Audit report**

A brief written explanation must be given of the audit procedures and the results of the audit in line with the following sample.

**Notes for the PRIVATE COMPANY:**

**GIZ reserves the right to require additional explanations to the audit report (cf. also the GIZ audit right described in section 9.3 of the contract for a development partnership with the private sector). GIZ is specifically also entitled to inspect records to check the settled prime costs.**

**GIZ further reserves the right to review the amount of the auditor's statement of account (in the course of accepting costs) and to inspect the auditor's files. An agreement to this effect must be made with the auditor.**

**The following format is binding for the auditor**

**I Audit engagement**

Name of the PRIVATE COMPANY:

Country:

Project title:

Contract no.:

Term:

Audited period:

**II Nature and scope of the audit**

In accordance with the terms of the engagement, we have audited the use of funds for a development partnership with the private sector and the settlement of project costs in accordance with the contract, with due regard for the following documents for the audited period (please enter additional information here):

- Contract for a development partnership with the private sector and any supplementary terms and conditions

- Concept and plan of operations

- Price schedule with explanatory notes

- GIZ’s supplementary terms and conditions for supplying services in development partnerships with the private sector (EPW-EVB)

- Binding terms of reference for engaging a public auditor/auditing firm

The documents were audited at the premises of the PRIVATE COMPANY / at our premises.

The audit covered the following records submitted by the PRIVATE COMPANY:

## Please specify any additional records

- timesheets

- wage and salary statements

- travel expense statements

- statement of prime costs for self-manufactured materials and equipment

etc.

The audit covered the complete set of wage and salary statements, timesheets and prime costs for self-manufactured materials and equipment and random samples for all other costs by inspecting vouchers and/or other accounting records.

The following documents (give examples) were also submitted in connection with the settlement of accounts. We compared these records with the existing statements of account and audited whether items had been posted correctly.

Total costs incurred and confirmed in the audited period

EUR ……………. (IN WORDS: ……………..)

III **Audit findings, auditor's report**

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| **1.** Allocation of costs in accordance with the contract following the individual prices and settlement modalities in the price schedule (Annex 2 to the contract), including compliance with the 10% rule (excess/shortfall per costing line) |
| **Objections/recommendations:** |

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| **2.** Arithmetical correctness of the statement of account and reconciliation of the amounts settled with those in the accounting system and in original vouchers |
| **Objections/recommendations:** |

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| **3.** Regularity and effectiveness of project accounting in compliance with generally accepted accounting principles  |
| **Objections/recommendations:** |

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| **4.** Confirmation that the prime costs for the PRIVATE COMPANY’S employees were invoiced in accordance with the supplementary terms and conditions (EPW-EVB) |
| **Objections/recommendations:** |
| **5.** Confirmation that the prime costs for self-manufactured materials and equipment were invoiced in accordance with the supplementary terms and conditions (EPW-EVB) |
| **Objections/recommendations:** |

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| **6.** Regularity of contract award procedure for goods and services under the contract for a development partnership with the private sector |
| **Objections/recommendations:** |

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| **7.** Differences from previous statements of account |
| **Objections/recommendations:** |

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| **8.** Confirmation that there is no duplicate financing |
| **Objections/recommendations:** |

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| **9.** Confirmation that revenue/income was credited to the project account and reduces overall costs |
| **Objections/recommendations:** |

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| **10.** Application of the foreign exchange rate specified by GIZ, or submission of foreign exchange purchase voucher |
| **Objections/recommendations:** |

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| **11.** Confirmation that transfer fees for foreign transfers and entertainment costs were not billed |
| **Objections/recommendations:** |

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| **12.** Confirmation that VAT was stated separately in invoices and forwarded to the tax office |
| **Objections/recommendations:** |

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| **13.** Other comments |
| **Notes, other objections:** |

**On the basis of our audit, our opinion is (please select the appropriate alternative and delete the others):**

Our audit of the records did not give rise to any objections / gave rise to the above objections.

It is our opinion that GIZ guidelines and directives were complied with in the settlement of accounts and that the statement of account was properly drawn up.

or

Regardless of our objections, it is our opinion that GIZ guidelines and directives were complied with in the settlement of accounts and that the statement of account was properly drawn up.

or

Due to our objections, it is our opinion that GIZ guidelines and directives were **not** complied with in the settlement of accounts and that the statement of account was **not** properly drawn up.

or

We were unable to complete our audit, as the following records were not submitted. Regardless of the fact that the records submitted did not give rise to any objections, we are qualifying our opinion as follows. (Description of the records audited and those not submitted)

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|  |  |
| --- | --- |
| Place, date | Auditor's stamp and signature |

**Management letter of representation for the PRIVATE COMPANY**

We confirm herewith that we have submitted all records and contracts to the firm (public auditor/tax advisor) engaged to carry out the audit.

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| Place, date | Stamp and signature of the PRIVATE COMPANY |