

AUDITING CONTRACT

concluded between

(Legal Holder of the Project)
and

(Certified/Certified Public/Chartered Accountant(s))
- hereinafter called "the auditor" -

on the auditing of

Project No.: _____

Project Title: _____

Please note: this contract is equally applicable to projects of Katholische Zentralstelle für Entwicklungshilfe e.V. (Catholic Central Agency for Development Aid, regd.; hereinafter called "KZE"), which are financed from public funds of the Federal Republic of Germany, as well as to projects of Bischöfliches Hilfswerk Misereor e.V. (The German Catholic Bishops' Organisation for Development Cooperation, regd.; hereinafter called "MISEREOR"), which are financed from Church funds.

This contract shall be made out in three copies, one of which shall be sent to KZE or MISEREOR.

1. Purpose of the Contract

In accordance with the Project Contract, which forms the legal basis of the above-mentioned project, the purpose of this auditing contract is to furnish KZE or MISEREOR with objective proof of the proper and correct use of the funds made available to the project, based above all on a thorough examination of all accounts. Therefore the two above-mentioned parties hereby agree on an audit to be carried out as stated in the following.

2. Scope and Location of Auditing

The auditing shall be conducted at the location of the Legal Holder's registered offices where the project bookkeeping is done. The auditor's assignment shall include the following tasks:

- to examine the propriety of project accounting operations and their conformity with the Project Contract in all its parts as well as with relevant national regulations;
- to examine the tools and procedures of internal control;
- to examine the bank account opened especially and exclusively for the project, and any further bank accounts of the project which may be necessary (e.g. for revolving funds);
- to examine whether the person(s) enjoying power of disposal over the project bank account is/are the same or among those officially authorised to represent the Legal Holder of the project;
- to examine whether there have been any changes regarding staff enjoying authorisation to represent the Legal Holder of the project;
- to examine all incoming grant disbursement transactions, including especially accuracy and completeness of records and evidence of exchange transactions from foreign into national currency;
- to examine the various project bookkeeping accounts with their supporting documents of receipts and payments in the national currency; to verify whether a clear distinction has been maintained between amounts actually paid out at the point of time when the accounting period ends and payments not yet effected but to be recognised as expenditure for the same period on the basis of the obligations incurred (payments according to a receipts and payments account versus expenditure based on accruals concept);
- to examine whether the local and/or third-party contributions to be provided as part of the project have actually been received, duly shown in the books, and properly used for the financing of project expenditure; to verify information on income which was due but was actually received after the end of the period under review from local and third-party contributions, if any; as to local contributions, only those made in monetary terms should be shown. Where non-monetary contributions (e.g. voluntary labour, contributions in kind) have been provided, these should be shown separately;
- to examine whether any credit interest was gained from disbursements of KZE and/or MISEREOR and/or any third party, and if so, whether the interest thus gained was properly used for the financing of project expenditure;
- to examine the inventory of all movables of a value exceeding EUR 500.00 and purchased with money from project funds; to examine compliance with their project-tied use within the periods stipulated in the General Agreement (only applicable to projects funded through KZE);
- if immovables were purchased or buildings erected as part of the project, to examine evidence of ownership or of right of disposal, and to find out whether any encumbrances or obligations to third parties were created; also, to examine whether they are being used for the project purpose for which they were destined;
- to examine whether, in the case of sales and building contracts of a value exceeding EUR 500.00 tenders were invited and received, thus documenting most economical and efficient use possible of funds made available for purchasing or construction purposes; if no tenders were obtained, the reasons shall be explained in the auditor's report;
- to examine whether any reserves have been created from funds disbursed and if so, whether the consent of KZE or MISEREOR to do so has been obtained; to examine on completion of the project whether these reserves have been dissolved and duly used for project purposes;
- to examine whether any depreciation or imputed costs, which are no actual payments in the sense of a receipts and payments account, have erroneously been included in the Statements of Receipts and Payments submitted to KZE or MISEREOR;
- to examine staff payrolls and lists of professional fees paid;
- in the case of education and training courses, to examine the relevant invoices, bills, receipts (covering professional fees, food, accommodation, transport etc.) and also the lists of participants;
- in the case of **loan funds**:
 - to examine lending procedures, incl. verification of loan disbursement, terms and conditions, and purpose of borrowing;

if a **revolving fund** (which always requires an **additional separate bank account**) was established or continued as part of the project: to examine the separate financial report showing all receipts from repayments, interest received etc., all payments (new loans disbursed, possible administrative costs), balance and receivables broken down into standing, overdue and irrecoverable loans.

3. Auditing of Interim Statements

The Legal Holder of the project is under obligation to prepare, and submit without delay to KZE or MISEREOR, interim Statements of Receipts and Payments at least every 6 months. These interim Statements will also be examined and verified by the auditor.

4. Auditing of Final Statements

Immediately on completion of the project, the audit report shall be prepared showing separately all periods under review as well as providing a consolidated overall picture. The report shall include an inventory of all equipment, furnishings and other items of property that were purchased.

5. Auditing Procedure

The auditing shall be conducted in accordance with the relevant national regulations as well as internationally recognised auditing standards.

6. Auditor's Report

The written audit report shall include the following:

- statement explaining criteria and scope as well as duration and location of the auditing conducted;
- statement as to scope of the auditing with regard to Art. 2. of this contract (cf. above); statement as to deviations, if any;
- schedule of verified receipts and payments: to show initial balance plus all receipts obtained itemised according to Section 4. *Financing plan* of the Project Contract, as well as credit interest gained, if any, unforeseen donations etc.; payments to be itemised according to the *Detailed Breakdown of the Cost Plan* (Appendix to Project Contract), or, if this was not provided, according to Section 3. *Cost plan* of the Project Contract; the final balance to be in a consolidated form;
- statement as to correct and proper accounting;
- statement as to compliance with the Project Contract in all its parts, as well as compliance or variance with the recommendations of previous audit reports, if any; statement to the effect that all receipts and payments correctly relate to the project (or don't), and are (or are not) correct with regard to the calculations involved;
- if the report is a qualified one, the reasons for the qualification shall be explained;
- further points according to individual agreement, if any;

7. Confidentiality

The auditor shall take all steps necessary to ensure the secret and confidential nature of all information he/she may acquire under the provisions of this contract. He/she shall make available his/her findings and report only and exclusively to the Legal Holder of the project. The Legal Holder shall send KZE or MISEREOR a copy of the auditor's report without delay.

8. Audit Costs and Remuneration

The auditor shall receive from the Legal Holder of the project the amount of . as a comprehensive remuneration for his/her services. This amount shall cover all fees and expenses incurred by the auditor. The auditor's remuneration shall be financed from the funds made available to the project.

9. Miscellaneous Provisions

Any alteration to this contract requires prior consent from KZE or MISEREOR and must be made in writing.

Place and date

For the Legal Holder of the Project (signature)

Place and date

The Auditor (signature)