

Annex A: Terms of reference

1 Information about the procurement

1.1 Background

Stiftelsen Stockholm International Water Institute (SIWI) intends to enter into a framework agreement for project audit services with one (1) tenderer.

SIWI implements and participates in donor-funded development projects around the world. The overarching objective of these projects is poverty reduction with a focus on sustainable, equitable and efficient allocation and sharing of water.

The funding of SIWI's projects in accordance with the above is normally regulated by a grant agreement between SIWI and the financier(s) for the specific project. Under these grant agreements, SIWI is normally required to have the financial reporting concerning the project in question audited by an external, independent and qualified auditor in accordance with international standards issued by the International Auditing and Assurance Standards Board (IAASB).

1.2 Purpose

To procure audit services on a framework basis, primarily financial audits of externally funded development projects but also other forms of audits such as local audits, preventive audits and forensic audits.

1.3 Objectives

The objectives of the audit services are:

1. to enable SIWI to undertake audits in relation to its externally financed projects, primarily financial audits but also other type of audits (See Section 2.1) and local audits.
2. to enable SIWI to build its internal capacity in relation to audit activities.
3. to provide SIWI with assistance on an ad hoc-basis for less complicated audit advice that can be provided via email or telephone on short notice.

1.4 Number and types of audits to be performed

The main and most frequent type of audits envisioned under this agreement are financial audits of externally funded development projects. Other types of audits are expected to occur far less frequently, on an ad hoc-basis.

Based on historical data and current and upcoming projects, the estimated number of audit assignments during the agreement period is 10 (ten) financial audits.

The choice of auditor in relation to a specific project normally requires the approval of that project's financier. If the financier does not approve of the successful tenderer with whom SIWI has entered into the framework agreement envisioned here, SIWI will be required to procure the audit services of another organisation for audits of that specific project.

2 Scope of services

2.1 Financial audits

The Tenderer **must** have the capacity to carry out the following type of audit assignments:

1. **Financial audits** carried out to examine whether accounts are true and fair, whether financial statements provide a correct picture and whether internal controls are adequate, in relation to specific externally funded projects. This may involve the examination of project or programme expenditures and financial reports. Financial audits may be carried out in accordance with IAS 800/805 and/or agreed upon procedures according to the international standard for related services, ISRS 4400.

2.2 Other audits

The Tenderer **should** have the capacity to carry out the following types of audit assignments:

2. **Capacity studies** carried out to examine an organisation's capacity in terms of administration, goal fulfilment, planning and resources, with the aim of determining the quality of the activities pursued by the organisation.
3. **Compliance audits** carried out to examine whether an organisation carries out its activities in compliance with applicable laws and regulations and contractual obligations. May be included as part of a management/operational audit.
4. **Forensic/investigate audits** carried out to investigate whether there has been a misuse of funds, financial malpractice or other irregularities.
5. **Management/operational audits** carried out to examine the adequacy of an organisation's administration including internal controls, accounting and budgeting systems, risk analyses and follow-up of activities and results.
6. **Performance/Value for Money audits** carried out to examine how well an organisation has achieved its goals and the relation between resources used and results accomplished, or how the results contribute to the effects aimed for by the organisation.
7. **Preventive audits** carried out to examine an organisation's financing, management capacity, stability, staffing and structure in order to determine whether planned activities can be expected to be carried out successfully. Normally carried out as part of the assessment stage before a decision is made concerning a contribution or the forwarding of funds to a partner organisation.
8. **Procurement audits** carried out to analyse whether the procurement process of an organisation comply with contractual obligations and internal regulations, as well as to review contract administration and management.
9. **System/system-based audits** carried out to examine the adequacy and functioning of an organisation's routines and systems intended to ensure reliability in activities and reporting.

Audit assignments may involve the combination of two or more of the audit types listed above.

The auditor must apply international standards issued by the International Auditing and Assurance Boards (IAASB) in the performance of the audit services.

The scope and requirements on specific assignments will be determined by the terms of reference for the assignment in question. Terms of reference for financial audits will normally be set out in the applicable agreement with a donor or partner organisation, while terms of reference for non-financial audits will normally be issued on an ad hoc basis.

Audit assignments may concern either SIWI itself (for instance financial audits in relation to externally financed projects implemented by SIWI) or SIWI's partner organisations (for example preventive audits or forensic audits of partner organisations in situations where SIWI forwards external funds to sub-recipients).

2.3 Local audits

SIWI may occasionally need an audit to be performed on location in the in the country where a project has been or is being implemented. The Tenderer **should** have the capacity to perform such local audits.

2.4 Related services

The Tenderer **should** have the capacity to perform the following services:

SIWI may request that the tenderer provide internal capacity building in relation to audit activities, including training and/or information materials, for SIWI staff.

SIWI may request that the tenderer provide less complicated advice concerning audit issues via email or telephone within one business day.

2.5 Reporting and meetings

The findings of an audit assignment will be recorded in an auditor's report submitted by the tenderer to SIWI. The structure, contents and time frame of delivery of the auditor's report will be determined by the nature, subject and circumstances of the specific audit assignment, as set out in the call-off order and engagement letter for the assignment.

A draft report on the assignment will be submitted to SIWI within the time frame set out in the specific call-off order. The final version of the auditor's report will be submitted to SIWI within two weeks of receiving SIWI's comments on the draft report.

If required under the terms of reference for the specific assignment, the reporting will include a management letter, specifying the findings and weaknesses identified during the audit process.

If required under the terms of reference for the specific assignment, the Tenderer will present the major findings of a specific audit assignment in a meeting with SIWI and/or SIWI's financier.

The tenderer **should** be able to meet with SIWI at least annually, for discussions concerning completed and upcoming audit assignments as well as continuous improvement.