Auditing Contract

concluded between

Project holder
Street, house number
Postcode, town
State

– hereinafter referred to as “Principal”

and
The auditor / audit firm
Street, house number
Postcode, town
State

– hereinafter referred to as “Contractor”

Section 1 Subject Matter of the Contract

(1) A contract was concluded between the Principal and Katholische Zentralstelle für Globale Entwicklung e. V. (the German Catholic Central Agency for Global Development; hereinafter referred to as “KZE”) as well as Renovabis - solidarity action of the German Catholics with the people in Central Europe and East Europe, (hereinafter referred to as "Renovabis") to support the below-mentioned project. On the basis of this contract, the Principal is obliged to report to KZE/Renovabis, to render accounts and to submit audit reports on half-yearly project periods through an independent auditor. For this reason, the Principal commissions the Contractor with the semi-annual audit of the project (Project number and title).

(2) The Contractor is obliged to carry out the audit independently and objectively in accordance with the International Standards on Auditing (ISA) 200/220.

(3) The audit reports must be made available within three months after the end of each audit period.

Section 2 Audit

(1) The audit must comply specifically with the requirements of ISA 800/ISA 805. In general, the audit must be performed in accordance with the ISA. If the ISA are not mandatory in the country, the audit firm must ensure that the audit team has been trained to carry out an audit in accordance with international standards.

(2) Observations necessary for the assessments listed in Section II of the Annex to this Agreement shall be made.

(3) The Principal shall provide the Contractor with the documents, information and explanations required to carry out the audit in a timely manner to guarantee a prompt audit in accordance with the Contract. In particular, the Project Contract concluded with KZE/Renovabis, the financial report with the account books and all source documents shall be handed over. In addition, the Contractor shall receive the

voucher list for all project payments, the vouchers requested by the Contractor, the staff list, inventory list, budget monitoring and, if applicable, logbooks.

(4) The audit shall be carried out on the Principal's premises. In duly justified cases, deviating agreements are possible. If an audit of inventory with an acquisition cost of more than EUR 800 excluding VAT is carried out, a deviating agreement is permissible only if the related expenses are unreasonably high in relation to the value of the asset/inventory to be audited and there are no indications of improper use from the Contractor's point of view.

(5) The Contractor must always inform the Principal promptly about observations regarding the accounting system and internal controls (management letter) and submit a detailed list of all material weaknesses and associated risks.

Section 3 Audit Reports

(1) The audit reports must contain the information specified in the Annex to this Contract. All payments not eligible for funding under the Project Contract concluded with KZE/Renovabis must be excluded from the Statement of Receipts and Payments included in the report. Accrued payments (unpaid obligations) must be justified. In addition, recommendations on how any identified weaknesses can be remedied and how control mechanisms and documentation can be improved shall be included in the audit reports where appropriate. The recommendations are to be discussed with the Principal.

(2) The audit report must be prepared in accordance with ISA 800/ISA 805. An audit opinion in accordance with ISAE 3000 is also permissible for confirmations in accordance with subsection 3 lit. a and b. The assessments listed in Section II of the Annex to this Contract shall be made on the basis of ISRS 4400 ("agreed-upon procedures").

(3) The audit report must be concluded with an audit opinion on:

a) full compliance with the regulations laid down in the Project Contract,

b) the use of the project funds exclusively for project purposes and in accordance with the Project Contract,

c) the Statement of Receipts and Payments of the project for the audit period, provided that the relevant requirements are met.

If the audit opinion is qualified or adverse, or if the auditor issues a disclaimer of opinion, the reasons for this must be explained in detail and in a comprehensible manner.

(4) Should the Contractor request this, separate audit opinions on the sections pursuant to subsection 3 lit. a and b on the one hand, and pursuant to subsection 3 lit. c on the other hand, are also permissible.

(5) The Contractor shall transfer to the Principal all rights to the tangible and intangible utilisation of the audit report(s) in all known and unknown types of use, in particular for passing them on to KZE/Renovabis, without any restrictions on duration, geographical location or content within the scope of the statutory term of protection. The Contractor warrants that Contractor has not taken any measures to prevent the transfer of rights resulting from this Contract and that the contractual use of the audit report(s) does not infringe any third-party rights.

Section 4 Fees

(1) The Contractor shall receive a fee for Contractor's services under this Contract, including the granting of rights, in the amount of (.....) per half-yearly audit period or (.....) for the entire term of the Contract, including any applicable VAT. This

fee also covers any other costs incurred in connection with the provision of the service (travel expenses, insurance). It covers all fee claims and costs of the Contractor.

(2) Payments shall become due as follows:

- after submission and acceptance of the audit report,
- for reimbursement of expenses pursuant to subsection 1, sentence 2 after presentation of supporting documents, and after submission of a proper invoice.

(3) The Contractor shall be responsible for declaring and paying any applicable taxes.

Section 5 Duration and Termination of the Contract

(1) This Contract shall commence upon signature by both parties.

(2) It shall terminate after the audit of the final six-month project phase has been completed with the handing over of the audit report.

(3) The Contract can be terminated by either party in writing with a notice period of six weeks to the end of a six-month audit period. The right to extraordinary termination remains unaffected by this. Good cause for extraordinary termination shall be deemed to exist in particular if:

- the Contract was concluded on the basis of incorrect or incomplete information provided by the contractual partner;
- the conditions for the conclusion of the Contract have subsequently ceased to exist;
- the Contractor fails to fulfil the Contractor's contractual obligations;
- the Principal becomes insolvent, insolvency proceedings are applied for or opened against the Contractor's assets and/or the opening of such proceedings is rejected for lack of assets;
- the Contractor's conduct is likely to damage the image or reputation of the Principal and/or the organisation(s) supporting the Principal;
- the Project Contract concluded between the Principal and KZE has been terminated.

In the event of premature termination of the Project Contract, the audit must include the last period up to the premature termination, even if it does not cover full six months.

Section 6 Concluding Provisions

(1) The Contractor shall refrain from disclosing any information about the conclusion, content and performance of this Contract and ensure that any knowledge, data and information shared by the Principal remain confidential, unless these are already known and/or accessible to the public.

(2) The Contractor is obliged to carefully store the documents and files handed over to and produced by the Contractor, as well as the correspondence carried out, and to protect them from unauthorised access by third parties. All documents audited must be digitised, kept for a period of at least 10 years after the end of the audited project and sent to the Principal on request.

(3) If any provisions of this Contract should be void in whole or part, the validity of the other provisions shall not be affected. The parties undertake to replace the invalid provision with another provision which comes closest to the commercial intent of the provision being replaced.

(4) There are no ancillary agreements in connection with this Contract. Amendments to the Contract must be made in writing. This also applies to any amendment of the written form requirement.

Place, date	Place, date
Principal	Contractor

Annex

Required contents of the audit report

I. Audit opinion

II. Supplementary assessment of the following questions

All assessments are to be made using the categories “Criterion fulfilled”, “Criterion not fulfilled”, “Criterion not applicable”.

	Result of the audit			
	Criterion fulfilled	**Criterion not fulfilled**	**Criterion not applicable**	**Notes / explanations and details**
1. The project accounts are in order, have been drawn up on an appropriate medium, and comply with the provisions agreed in the Project Contract and with the customary national regulations.				
2. The internal control instruments are adequate (e.g. four eyes principle adhered to). Tests of Controls were performed for significant controls.				
3. There is a bank account used exclusively for all financial transactions of the project (including own funds and grants from third parties). If salaries are paid in cash, the consent of KZE/Renovabis has been obtained in advance. The same bank account can continue to be used for a possible follow-up project. If further bank accounts are required for the realisation of the project, this has been sufficiently justified and the consent of KZE/Renovabis has been obtained.				
4. The authorised account holders match the names of the authorised representatives of the Principal. There are at least two authorised account holders (authorised				

	Result of the audit			
	Criterion fulfilled	**Criterion not fulfilled**	**Criterion not applicable**	**Notes / explanations and details**
signatories). KZE/Renovabis must be informed of any changes to the authorised representatives or authorised account holders.				
5. All project receipts are fully documented and correctly presented in the Statement of Receipts and Payments. This also means that all currency exchanges from foreign currency to local currency (EUR or USD in the local currency of the Principal) are stated correctly and bank charges are entered correctly and transparently.				
6. The Principal has prepared an explanatory table of vouchers (voucher list) in which all project payments of the audit period are listed separately by type and in chronological order. The voucher list must contain the date, the payee/payer as well as the reason for and the individual amount of each payment. The corresponding payment items according to the project budget are clearly noted and their total amounts fully correspond to the Statement of Receipts and Payments submitted.				
7. The random sample audit of the voucher list for non-project-related expenses (“journal entry testing”) did not lead to any objections. The reference to the project can be recognised in the random sample audit.				
8. The individual accounts in which the receipts and payments of the project are recorded were audited in accordance with the International Standards on Auditing (ISA) without any objections. A sufficiently large sample of the payments was audited in accordance with, in				

	Result of the audit			
	Criterion fulfilled	**Criterion not fulfilled**	**Criterion not applicable**	**Notes / explanations and details**
particular, ISA 500 “Audit Evidence” and ISA 530 “Audit Sampling”.				
9. The distinction between payments made and payments still to be made for obligations already incurred during the period under review is presented correctly and taken into account in the project balance at the end of the accounting period.				
10. Can this statement be confirmed? “The creation of reserves and provisions is not permitted unless provisions are required by the law of the country in which the project partner is based. If authorised reserves have been built up with the funds disbursed, approval for this has been granted by KZE/Renovabis. By the end of the funding period, any reserves were released and used for project purposes.”				
11. No imputed costs (e.g. write-offs, depreciations, provisions not provided for by law) were recognised.				
12. There are no internal personal relationships / family relationships between the persons working for the Principal which are not permitted under local legislation.				
13. There are logbooks for vehicles used in the project, which are kept in accordance with the specifications in Annex 5 to the Project Contract (Guide on Voucher Management).				
14. The budgeted local contributions and third-party funds were provided, recognised in the accounts and used to finance project payments. Only local or third-party				

	Result of the audit			
	Criterion fulfilled	Criterion not fulfilled	Criterion not applicable	Notes / explanations and details
contributions in cash were recognised; if non-cash contributions were provided, these were accounted for separately and independently of the Statement of Receipts and Payments.				
15. The credit interest from payments made by KZE/Renovabis and from third-party contributions was used to finance project payments.				
16. All objects worth more than EUR 800 (excluding local VAT) that were procured from project funds are recorded in an inventory list that is kept in accordance with the template provided by KZE/Renovabis. The inventory list also includes objects purchased in previous project phases as well as vehicles available to the Principal which were procured elsewhere. There is proof of the intended purpose within the deadlines specified in the agreements. The objects are physically examined to confirm that they exist.				
17. For the acquisition of real estate and/or land or the construction of buildings: proof of ownership or authorisation to dispose is available. The intended purpose is preserved. KZE/Renovabis has been notified of any existing encumbrances or obligations to third parties.				
18. Three tenders were obtained for all purchases/procurements/commissions over EUR 1,000 (excluding VAT) in each payment category, e.g. fee contracts under Staff Costs, IT equipment under Non-recurrent expenditures (investments). The tenders can also be obtained informally, e.g. by telephone/internet,				

	Result of the audit			
	Criterion fulfilled	**Criterion not fulfilled**	**Criterion not applicable**	**Notes / explanations and details**
and documented in writing. A contract awarding note was created giving reasons for the choice of service provider/supplier. The provisions of Section 11 of the Project Contract have been complied with. Building contracts were awarded in accordance with the procedural instructions of KZE/Renovabis. If fewer than three tenders are obtained, sufficient justification is provided and stated in the audit report. There is no suspicion of favouritism in the awarding of contracts.				
19. Lists of salaries and fees paid to the project staff are available and comply with the provisions set out in the Project Contract and in any employment and fee agreements that have been concluded. The legally prescribed rules for the payment of taxes and social security contributions are complied with and the corresponding payroll deductions are paid to the competent authority on time. If there are staff who work only part-time in the project, it was verified who paid the remaining portion of their salary, and no anomalies have been identified. No reserves were formed due to overstated staff costs.				
20. The salaries, salary components (in accordance with the individual/collective employment agreement) and travel expense flat rates paid to project staff are in line with local standards.				
21. If project events (seminars, workshops, training courses, etc.) were held, receipts are available for associated				

	Result of the audit			
	Criterion fulfilled	**Criterion not fulfilled**	**Criterion not applicable**	**Notes / explanations and details**
expenses such as fees, catering, accommodation, transport, or materials, as well as lists of participants.				
22. In the event of pro rata funding for overheads (e.g. rent, electricity, water, gas, office maintenance/repairs, insurances), it was ensured that a justified / causation-based allocation scheme was applied for the project and that no provisions were recognised due to over-subsidisation (KZE/Renovabis and other financiers combined).				
23. If there is a threat of pledging/mortgaging of the project assets and funds, insolvency proceedings have been applied for or opened, or the liquidation of the Principal has been decided.				

Please note: Criteria 1 - 12 should always be applicable. If, for example, the audit for criterion 11 did not reveal any accounting of imputed costs, the correct categorisation is “criterion fulfilled” and not “not applicable”.

III. Period of time, duration and location of the audit

IV. Receipts, payments and cash flow

☐ Corrected Statement of Receipts and Payments for the audit period (taking into account KZE's/Renovabis standards)
- Opening balance plus audited funding receipts according to the Cost and Financing Plan
- Credit interest, unforeseen subsidies, etc.
- Exclusively eligible payments (after exclusion of non-eligible payments) broken down according to the Detailed Breakdown of the Cost Plan
- The final balance must be consolidated

☐ Consolidated Statement of Receipts and Payments for the entire funding period to date.

☐ If applicable, a list of the payments categorised as ineligible during the audit, including the corresponding justification, and confirmation that the Principal has adjusted its accounting accordingly.

☐ The following must also be stated for receipts:
- Amount transferred by KZE/Renovabis in euro as per Disbursement Notice
- Amount received by the receiving bank in euro or US dollars
- Amount received on the account in local currency and exchange rate euro or US dollar to local currency
- In the event of third-party contributions: equivalent value in euro if the payment is received from the eurozone (these are relevant for the average exchange rate)
- Bank charges in local currency (to be entered in the financial report under administrative costs).

☐ Indication of the authorised signatories of the bank account for the release of payments.

☐ Indication of the account details for any additional bank accounts used for third-party or local contributions.

V. Assets

In each periodic audit report, the assets acquired in the entire project phase up to that point and the assets acquired with German federal funds in previous project phases with a value of more than EUR 800 (excluding local VAT) must be reported (see Section II.17).

VI. Staff costs

☐ Staff list incl. composition of salaries and confirmation of legally prescribed salary components

VII. Vouchers

☐ Each periodic audit report must include the audited voucher list (see Section II.6) in Excel, corrected, if necessary, on the basis of the audit.

☐ Information on the status of the digitisation of the vouchers of the Principal.

VIII. Recommendations

☐ Recommendations and compliance with recommendations from previous audit reports.

IX. Last audit report

The last audit report of the respective project must include:

☐ an inventory list of the assets acquired as part of the project as well as their utilisation status and location

☐ information on any settlement of obligations outstanding at the time of the end of the funding period and recognised in the project balance after the end of the funding period, including the date of payment

☐ Statement of Receipts and Payments of all accounting periods in separate form as well as the consolidated total Statement of Receipts and Payments