



## **INSTITUTE FOR DEMOCRACY AND ELECTORAL ASSISTANCE TERMS OF REFERENCE**

**Tender Reference No:** 258-19/20  
**Project Name:** Executive Division (Finance)  
**Assignment Name:** Provision of Institutional Audit Services

### **I. Background**

The International Institute for Democracy and Electoral Assistance (International IDEA) is an intergovernmental organization with a mandate to support sustainable democratic change. It has 32, member states which provide both political and financial support to the work of the institute. The Institute's work is organised at global, regional and country level. The organisation's headquarters (HQ) are based in Stockholm, Sweden and it has regional and country offices in the following locations: Chile, Bolivia, Peru, Paraguay, Mexico, Ethiopia, Mozambique, Tunisia, Australia, Nepal, Myanmar and The Netherlands. It also has two representative offices in Brussels and New York and it implements activities in a number of other countries in cooperation with locally based partners. In total it currently has a presence in 17 countries worldwide.

International IDEA is governed by a Council of Member States which meets at least twice a year. The Council monitors the operations and performance of the organization via a Steering Committee and a Finance and Audit Committee. Regulations regarding the appointment of external Auditors and the conduct of the audit are outlined in the governing documents. The Statutes of the Institute states, "The Council shall appoint the Auditors" and that "A financial audit of the operations of the Institute shall be conducted on an annual basis by an independent international accounting firm in accordance with international auditing standards." The Rules of Procedure of the Institute outlines the mandate of the Finance and Audit Committee and specifically clause 4.4.5. states that the "Committee will recommend the appointment of external Auditors and participate in the selection process, including determining the scope of audit work".

Appendix 1 of the Finance Regulations of the Institute outline "Additional Terms of Reference" which apply to the engagement of the Auditor. This Appendix 1 is to be found at the end of this document.

Management of the Institute is delegated to the Secretary-General and the Secretariat which is based at HQ in Stockholm. The Executive Division is responsible for all the support services required to run the programmes and operations and the Finance and Treasury Unit is part of this Division. It has overall responsibility for maintaining the financial policies, procedures and systems, producing monthly accounts and the annual financial statements. Accounts for the operations of the regional and country offices are maintained and prepared by the local financial staff. These accounts are consolidated on a monthly basis at HQ. International IDEA operates a computerised ERP system (Maconomy) which integrates its project, financial and budget modules. Original documentation is normally kept in the office of origin but in some cases is remitted to HQ for archiving. Financial statements are produced annually in accordance with International Public Sector Accounting Standards (IPSAS), accounting principles and externally audited in accordance

with International Standards on Auditing (ISA). The Institute also has an internal audit function which reports into the Secretary-General.

The Institute is funded by a combination of core contributions received from Member States and restricted funds sourced from donors for project specific activities. The total revenue for 2018 was €23.4Million being €10.2Million restricted funding and €13.2Million core funding. A number of donors require project specific audits to be carried out as part of the grant agreements. The Institute has a separate Framework Agreement with an auditing firm to carry out project audits but the Institutional Auditor may also be engaged to carry out such work if required.

## **II. Objectives of the Assignment**

The primary objective of the assignment is to carry out annual institutional audits and any other related work for International IDEA.

## **III. Scope of Work:**

- The audit and examination shall be conducted by an independent, external Auditor in conformity with International Standards on Auditing and subject to any special directions of The Council of Member States in accordance with the “Additional Terms of Reference” set out in Appendix 1.
- The audit shall be performed in International IDEA’s HQ and may also involve some audit work to be carried out in one or more of the regional and field offices.
- Additional project/special audits may be required and will be requested on a case by case basis.
- The Governing bodies may request the Auditor to perform specific audits and request separate reports on the result;
- The final accounts shall be submitted by the Secretary General to the External Auditors not later than 31<sup>st</sup> March following the end of the calendar year to which they relate.
- The Auditor shall issue a report on examining the Institute’s final accounts in accordance with the relevant sections in the Finance Regulations.
- The final audit report along with the financial statements shall be sent to the Council of Members not later than 31<sup>st</sup> May following the end of the calendar year to which they relate.
- It is expected that the audits will include an on site visit by the successful tenderer to each of the three main regional offices of IDEA (currently based in Addis Ababa, Canberra and Santiago de Chile) at least once in the five year period.

## **IV. Work plan and scheduling:**

The Auditor shall work closely with the relevant staff of the finance unit at International IDEA’s HQ in Stockholm, regional and field offices. To carry out an audit, the following work will need to be undertaken by the Auditor:

- agree and sign a letter of engagement/Terms of Reference (TOR) for the conduct of the audit.
- agree a timetable for performance of the audit. This should allow adequate time for: planning; on-site work; follow up work and questions; and reporting.

- ensure that qualified and experienced staff is available for the duration of the audit.
- agree and adhere to a price for the audit.
- carry out a comprehensive background study of the relevant documents, internal control structure, risk management and any other aspect of International IDEA with a view to understanding the institute's operations and business environment. This information will be supplied by International IDEA.
- agree the transaction samples in advance.
- carry out the on-site work as planned and agreed.
- hold an exit meeting at the end of the on-site audit work.
- carry out follow up work including the exchange of drafts for commentary and feedback.
- finalisation of the report and management letter in a timely manner.

## **V. Deliverables**

The Auditor will be expected to deliver the following in relation to each project audit carried out:

- an Auditor's Report;
- a Management Letter;
- a Tax Certificate where applicable;
- any other deliverable specifically required as part of the audit by International IDEA.

## **VI. Management and administration:**

- management oversight for the audits will be provided by the Executive Director and Financial Controller;
- both parties will be responsible for cooperating in the scheduling and setting up of briefing meetings, audit schedules and exit interviews.
- all deliverables shall be submitted to the Financial Controller at International IDEA.

## Appendix 1:

### Additional Terms of Reference Governing External Audit of the International Institute for Democracy and Electoral Assistance.

1. The Auditor shall perform such audits of the accounts of the Institute, including all funds and special accounts, as the Auditor deems necessary in order to arrive at an informed opinion:
  - a) that the financial statements are in accord with the books and records of the Institute;
  - b) that the financial transactions reflected in the statements have been in accordance with the financial regulation and rules, the budgetary provisions and other applicable directives;
  - c) that any securities and moneys on deposit and on hand have been verified by certificates received direct for the Institute's depositories or by actual count;
  - d) that the internal controls are adequate in the light of the extent of reliance placed thereon;
  - e) that procedures satisfactory to the Auditor have been applied to the recording of all assets, liabilities, surpluses and deficits;
2. The Auditor shall be the sole judge as to the acceptance in whole or in part of certification and representation by the Secretary-General and may proceed to such detailed examination and verification as necessary of all financial records including those relating to supplies and equipment.
3. The Auditor and its entire staff shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the Auditor, necessary for the performance of the audit or any examination. Information classified as privileged and which the Secretary-General (or his/her designated senior official) agrees is required by the Auditor for the purpose of the audit and information classified confidential shall be made available on application. The Auditor and its entire staff shall respect the privileged and confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the assignment at hand. The Auditor may draw the attention of The Council of Member States to any denial of information classified as privileged which was required for the purpose of the audit or examination.
4. The Auditor shall have no power to disallow items in the accounts but shall draw to the attention of the Secretary-General for appropriate action any transaction concerning which he entertains doubt as to legality and propriety. Audit objections to these or any other transactions arising during the examination of the accounts shall be immediately communicated to the Secretary-General.
5. The Auditor shall express and sign an opinion similar to the following terms, or as may be required by International Standards on Auditing:
 

“In our opinion, the financial statements for the year xxxx have been prepared in accordance with the accounting policies described under significant accounting policies with the Institute's finance regulations.

Furthermore, in our opinion, the accounts for grants have been kept in accordance with generally accepted accounting principles. The grants being reviewed have been used as stated in the application.”
6. The report of the External Auditor on the financial statements should mention:
  - a) the type and scope of examination

- b) matters affecting the completeness and accuracy of the accounts, including where appropriate:
    - i. information necessary to the correct interpretation of the accounts;
    - ii. any amounts which ought to have been received but which have not been brought to account;
    - iii. any amount for which a legal contingent obligation exists and which have not been recorded in the financial statements;
    - iv. expenditures not properly sustained;
    - v. whether proper books have been kept. Where in the presentation of statements there are deviations of material nature from generally accepted accounting principles applied on a consistent basis, these should be disclosed;
  - c) Other matters which should be brought to the notice of The Council of Member States, such as:
    - i. case of fraud or presumptive fraud;
    - ii. wasteful or improper expenditure of the Institute's money or other assets (notwithstanding that the accounting for the transactions may be correct);
    - iii. expenditure likely to commit the Institute to further outlay on a large scale;
    - iv. any deficit in the general system of regulations governing the control of receipts and disbursements or of supplies and equipment;
    - v. expenditures not in accordance with the intention of The Council of Member States after making allowances for duly authorised transfers within the budget;
    - vi. expenditure in excess of appropriations as amended by duly authorised transfers within the budget;
    - vii. expenditures not in conformity with the authority that governs it.
  - d) The accuracy or otherwise of the supplies and equipment records as determined by any stocktaking and examination of the records.
7. The Auditor may make such observations with respect to his findings resulting from the audit and such comments on the Secretary-General's financial report as the Auditor deems appropriate to The Council of Member States.
  8. Whenever the Auditor's scope of audit is restricted, or wherever the Auditor is unable to obtain sufficient evidence, the Auditor shall refer to the matter in the audit opinion and Report, making clear in the Report the reasons for such comments and the effect on the financial position and the financial transactions as recorded.
  9. In no case shall the Auditor include criticism in his Report without first affording the Secretary-General an adequate opportunity of explanation on the matter under observation.
  10. The Auditor is not required to mention any matter referred to in the foregoing which, in his opinion, is insignificant in all respects.