

PROJECT FUNDED BY CARITAS AUSTRIA AND AUSTRIAN DEVELOPMENT AGENCY

Implementing Partner: Mother Teresa Society

SPECIAL PURPOSE AUDIT REPORT

For the period 1st of December 2015 – 31st December 2016

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SPECIAL PURPOSE INDEPENDENT AUDITOR'S REPORT

To the management of Mother Teresa Society and Caritas Austria

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial report of project “Back home –and now? Sustainable reintegration of returnees and vulnerable families in Kosovo”, implemented by Mother Teresa Society (further referred to as ‘organization’ or “MTS”), funded by Caritas Austria and Austrian Development Agency, ADC Contract number: 8318-00/2016 , Caritas Project number 1550017, for the period 1st of December 2015 through 31st December 2016 and a summary of significant accounting policies and other explanatory information. The financial report has been prepared by the management of MTS, based on the financial reporting guidelines of Caritas Austria and Austrian Development Agency.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying Financial Report of Project implemented by Mother Teresa Society, funded by Caritas Austria and Austrian Development Agency for the period 1st of December 2015 through 31st December 2016 is prepared, in all material respects, in accordance with the financial reporting provision of the Cooperation Agreement dated on 18 of December 2015, Contract number: 8318-00/2016 , signed between Mother Teresa Society and Caritas Austria. Total costs audited amount to EUR **202,173.05**.

Basis for qualified Opinion

As it is further described in note 5 to the accompanying project financial report, the Organization has included in its expenses the amount of EUR 20,400.00 for International Staff Caritas Austria , Expat-part-time, as a contribution by Caritas Austria towards the implementation of the project. The implementing partner Mother Teresa Society has no supporting documents for these expenses declared and as a consequence we were not able to verify if these expenses are in line with the financial reporting provision of the Cooperation Agreement, Contract number: 8318-00/2016.

We conducted our audit in accordance with International Standards on Auditing (ISAs) and audit contract signed between Caritas Austria, MTS and Audit & Conto dated December 19, 2016 (see annex 1). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Kosova, and we have fulfilled our other ethical responsibilities in accordance

AUDIT&CONTO shpk

Rr. Uçk Seg 1/12, 10000 Prishtina, Kosove

Tel/Faax: +38138248971

www.audit-conto.com

with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2.2 to the financial report, which describes the basis of accounting. The financial report is prepared to assist MTS, to comply with the financial reporting guidelines of the donor referred to above. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the use of MTS, Caritas Austria and Austrian Development Agency and should not be distributed to or used by other parties. Austrian Development Agency

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined there are no key audit matters to be communicated in our report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the project financial statements in accordance with the financial reporting provision of the Cooperation Agreement, Contract number: 8318-00/2016, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

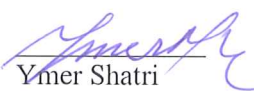
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Audit & Conto L.L.C ,


Ymer Shatri
Statutory Auditor,
Tel: +377 44 506 702



24 January, 2017

Mother Teresa Society
 Financial report of the Caritas project No. 1550017/ ADC Contract no.8318-00/2016
 Funded by Caritas Austria and Austrian Development Agency
 For the period 01 December 2015 to 31st December 2016

PROJECT FINANCIAL STATEMENT

Pos.- Nr.		Note	Budget (according to the contract)	Overall amount of expenditures ADA Funds	Overall amount of expenditures Own Funds	Overall amount of expenditures TOTAL	Balance	Budget/cost position utilization (%)
1.	Human resources (a.)							
1.1	Salaries and related costs (please list and specify all positions and distinguish between local and international staff if relevant)	4	68,196.00	36,428.15		36,428.15	31,767.85	53.4%
1.2	Consultancy services (fees for experts, please distinguish between local and international experts if relevant)	5	47,700.00	1,430.29	20,400.00	21,830.29	25,869.71	45.8%
1.3	Travel costs (please distinguish between staff and experts if relevant)	6	15,580.00	8,924.57		8,924.57	6,655.43	57.3%
	Sub total		131,476.00	46,783.01	20,400.00	67,183.01	64,292.99	51.1%
2.	Equipment (a.)							
2.1	Diverse Equipment	7	1,700.00	1,687.00		1,687.00	13.00	99.2%
	Sub total		1,700.00	1,687.00	0.00	1,687.00	13.00	99.2%
3.	Logistics and operational costs							
3.1	Communication Costs for field officers 30€ per month x 3 field officers+ P.Coordinator		2,160.00	1,104.01		1,104.01	1,055.99	51.1%
3.2	Office supplies (Regional Offices and HQ)		5,280.00	2,175.31		2,175.31	3,104.69	41.2%
3.3	Database (Documentation Client Files)		1,000.00	978.00		978.00	22.00	97.8%
	Sub total		8,440.00	4,257.32	0.00	4,257.32	4,182.68	50.4%
4.	Other costs for activities according to the planning matrix (logframe)							
4.1	Market analyses, Trainings, Emergency Fund f. Benef.	8	14,490.00	7,157.69		7,157.69	7,332.31	49.4%
4.2	Consumption support, self employment and increase of	9	202,500.00	106,175.35		106,175.35	96,324.65	52.4%

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	employability												
4.3	Please specify according to the planning matrix (logframe) and enter additional lines as needed												
4.4	Please specify according to the planning matrix (logframe) and enter additional lines as needed												
	Sub total	216,990.00	113,333.04	0.00	113,333.04	103,656.96							52.2%
5.	Visibility, publications etc.												
	Sub total	5,332.00	218.35		218.35	5,113.65							4.1%
		5,332.00	218.35	0.00	218.35	5,113.65							4.1%
6.	Complementary organisational development/capacity development (of implementing partner)												
	Sub total												
7.	Evaluation (d.)												
	Sub total	5,000.00	0.00		0.00	5,000.00							0.0%
		5,000.00	0.00	0.00	0.00	5,000.00							0.0%
8.	Contingency (b.)												
	Sub total	1,540.00	0.00		0.00	1,540.00							0.0%
		1,540.00	0.00	0.00	0.00	1,540.00							0.0%
I.	DIRECT COSTS (Pos. 1.-8.)	370,478.00	166,278.72	20,400.00	186,678.72	183,799.28							50.4%
II.	Administrative costs (c.)	32,722.00			15,494.33	17,227.67							47.4%
	TOTAL (e.)	403,200.00	166,278.72	20,400.00	202,173.05	201,026.95							50.1%

This financial report has been approved and signed on behalf of the management on 13 January 2017 by:
 Executive Director

Mr. Zef Shala



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1. Background

Caritas Austria is an international NGO implementing activities in the fields of emergency relief and rehabilitation as well as development cooperation, in countries struck by conflicts or natural disasters. Caritas Austria has carried out and supported several projects aiming at the reintegration of migrants and refugees as well as improving their rights and socio-economic wellbeing.

Caritas Austria entered into a cooperation agreement with mother Teresa Society on 18 December 2015 for the implementation of the Project “Back home – and now? Sustainable reintegration of returnees and vulnerable families in Kosovo”. The project is co-funded by Austrian Development Agency (ADA), contract number 8318-00/2016

1.1 Project description

Implementing partner organisation: **KHCS Mother Teresa (MTS)**

Project Beneficiaries:

Returnees and non-returnees (emphasizing on women-headed households and minorities)

Project activities:

Based upon solid assessments, an integrated needs and opportunity-based bottom-up methodology will be developed. The project offers a perspective to future employees and self-employers, based on their participative elaborated future planning. It combines multi-faceted activities from tailored trainings, enhancement on financial literacy and life skills, and short-term subsidies to encourage employment of beneficiaries, in addition to productive assets transfer and lasting follow up visits and consultations throughout the project cycle

Overall project goals:

The project’s overall goal is to contribute to a reduced migration pressure in Kosovo and to foster the (re)integration of Kosovan population by establishing sustainable economic activities and increasing the well-being of 100 returnees and 20 socially deprived households. Targeted areas are those, which were highly affected by the wave of emigration in late 2014/early 2015 (areas around Mitrovica, Ferizaj and Prishtina).

Project objectives:

To contribute to a reduced migration pressure and to foster the (re)integration of Kosovan population.

To establish sustainable economic activities and improve the wellbeing of 100 returnee and 20 socially deprived households in the areas of Mitrovica, Ferizaj and Prishtina.

Project results:

- (1) 120 families have developed individual development plans for the next two years regarding their socio-economic situation;
- (2) The capacities (skills and resources) of the 120 beneficiary families for successful implementation of economic activities are strengthened

2. Summary of significant accounting policies and general information

2.2 Basis for presentation

The accompanying financial report has been prepared on the cash basis of accounting in accordance with the financial Reporting guidelines of Caritas Austria. Accordingly, revenues are recognized when received rather than earned and expenses are recognized when paid rather than when incurred.

The accompanying financial report presents the activity of the project funded by Caritas Austria and Co-funded by Austrian Development Agency, for the period 01 December 2015 to 31st December 2016, not the activity of the organization as a whole.

2.3 Functional currency

MTS incurs transactions in Euros. All amounts reported in the financial report have been incurred and reported in EUR.

2.4 Income taxes

The organization is a non-governmental organization (NGO) whose received donations in the reporting year have been implemented for humanitarian purposes. According to law Nr.03/L162 on Corporate Income Tax, NGO's whose total income was used for their public benefit purposes are tax exempted. MTS is exempted in advance from VAT based on Kosova Tax Authority Decision no. E-89/2015 dated 02 November 2015. All expenses declared are net of VAT.

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3. Funds received

	In EUR
First installment (15.12.2015)	10,000.00
Second installment (02.02.2016)	50,000.00
Third installment (29.07.2016)	50,000.00
Fourth installment (17.11.2016)	50,000.00
Fifth installment (27.12.2016)	50,000.00
Total income	210,000

4. Salaries and related costs

Cost Position number	Cost positions according to the contract	budget (according to the contract)	Overall amount of expenditures (actual)	Balances	Budget/cost position utilization (%)
1.1.1.	Project Coordinator Kosovo 100%	20,160.00	10,408.65	9,751.35	51.63%
1.1.2.	Finance and Admin Assistance 30 %	5,040.00	2,730.00	2,310.00	54.17%
1.1.3.	MTS Director 10%	1,920.00	1,040.00	880.00	54.17%
1.1.4.	Project Assistant 70 %	10,080.00	5,460.00	4,620.00	54.17%
1.1.5.	3 Social workers in 3 Field Offices 3x410.00 + 5 % PIO	30,996.00	16,789.50	14,206.50	54.17%
Total		68,196.00	36,428.15	31,767.85	53.42%

5. Consultancy services

Cost Position number	Cost positions according to the contract	budget (according to the contract)	Overall amount of expenditures (actual)	Balances	Budget/cost position utilization (%)
1.2.1.	<i>International Staff_Caritas Austria , Expat-part-time International</i>	43,200.00	20,400.00	22,800.00	47.22%
1.2.2.	<i>staff_Expat_Accommodation (8 stays à 10 days)</i>	4,000.00	1,430.29	2,569.71	35.76%
1.2.3.	<i>Other International staff for Trainings, Kick-Off Meeting, Accommodation (10 days)</i>	500.00		500.00	0.00%
		47,700.00	21,830.29	25,869.71	45.77%

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6. Travel costs

Cost Position number	Cost positions according to the contract	budget (according to the contract)	Overall amount of expenditures (actual)	Balances	Budget/cost position utilization (%)
1.3.1.	National project staff - transportation by car (0,42€/km; 1.000 km/month)	10,080.00	6,584.34	3,495.66	65.32%
1.3.2.	International flights (8 flights Expatr and 2 flights other International Staff)	5,500.00	2,340.23	3,159.77	42.55%
		15,580.00	8,924.57	6,655.43	57.28%

7. Equipment / List of Inventory

Cost Position number	Cost positions according to the contract	budget (according to the contract)	Overall amount of expenditures (actual)	Balances	Budget/cost position utilization (%)
2.1.1.	Lap Top	500.00	500.00	-	100.00%
2.1.2.	Photocopy machine	700.00	687.00	13.00	98.14%
2.1.3.	Camera	500.00	500.00	-	100.00%
		1,700.00	1,687.00	13.00	99.24%

8. Logistics and operational costs

Cost Position number	Cost positions according to the contract	budget (according to the contract)	Overall amount of expenditures (actual)	Balances	Budget/cost position utilization (%)
3.1.	Communication Costs for field officers 30€ per month x 3 field officers+ P.Coordinator	2,160.00	1,104.01	1,055.99	51.11%
3.2.	Office supplies (Regional Offices and HQ)	5,280.00	2,175.31	3,104.69	41.20%
3.3.	Database (Documentation Client Files)	1,000.00	978.00	22.00	97.80%
		8,440.00	4,257.32	4,182.68	50.44%

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9. Market analyses, Trainings, Emergency Fund f. Benef.

Cost Position number	Cost positions according to the contract	budget (according to the contract)	Overall amount of expenditures (actual)	Balances	Budget/cost position utilization (%)
4.1.1.	Analysis of market (activity 1.1.1.)	3,500.00	3,500.00	-	100.00%
4.1.2.1.	Trainer (5 days training, 2-3days preparation/post-production)	2,240.00	2,240.00	-	100.00%
4.1.2.2.	Flight Trainer	550.00	-	550.00	0.00%
4.1.2.3.	Accommodation Trainer	400.00	-	400.00	0.00%
4.1.2.4.	Accommodation Participants	300.00	250.00	50.00	83.33%
4.1.2.5.	Food, beverage, materials for training participants	300.00	1,000.00	(700.00)	333.33%
4.1.3.	Emergency fund - Health/Psychological treatment; material; on need (activity 1.3.2.)	7,200.00	167.69	7,032.31	2.33%
		14,490.00	7,157.69	7,332.31	49.40%

10. Consumption support, self-employment and increase of employability

Cost Position number	Cost positions according to the contract	budget (according to the contract)	Overall amount of expenditures (actual)	Balances	Budget/cost position utilization (%)
4.2.1.	Consumption support (60€ per month per 120 beneficiary family)	28,800.00	16,499.33	12,300.67	57.29%
4.2.2.a.	Costs of productive asset in the chosen field (including delivery, installation)	99,000.00	85,639.02	13,360.98	86.50%
4.2.2.a.1.	Training on the use of productive assets including follow-up visits	6,600.00	2,030.00	4,570.00	30.76%
4.2.2.a.2.	Food + travel costs for training for partic.	3,300.00	1,650.00	1,650.00	50.00%
4.2.2.b.	Reimbursement of costs for beneficiaries participating in trainings of professional training centers (travel, material, food) activity 2.2.3	16,200.00	357.00	15,843.00	2.20%
4.2.2.b.1.	Contribution to employer for 6 months (150€ / month)	48,600.00	-	48,600.00	0.00%
		202,500.00	106,175.35	96,324.65	52.43%

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11. Visibility, publications etc.

Cost Position number	Cost positions according to the contract	budget (according to the contract)	Overall amount of expenditures (actual)	Balances	Budget/cost position utilization (%)
5.1.	Printings (Project Fact sheets/Pamphlets/Posters/..)	1,000.00	35.00	965.00	3.50%
5.2.	Other Communication	1,332.00	-	1,332.00	0.00%
5.3.	Translation cost (for information material and reports) and interpretation	3,000.00	183.35	2,816.65	6.11%
		5,332.00	218.35	5,113.65	4.10%

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5. Detail financial report as provided by Mother Teresa Society

Date: 12.01.17

Contract Number: ADC 8318-00/2016 Contract Partner: Caritas Austria						
<i>Back home – and now? Sustainable reintegration of returnees and vulnerable families in Kosovo</i>						
Cost Position number	Cost positions according to the contract	budget (according to the contract)	New Project Budget after Reallocation (dd/mm/yyyy)	Overall amount of expenditures (actual)	Balances	Budget/cost position utilization (%)
1.1.1.	Project Coordinator Kosovo 100%	20,160.00		10,408.65	9,751.35	51.63%
1.1.2.	Finance and Admin Assistance 30 %	5,040.00		2,730.00	2,310.00	54.17%
1.1.3.	MTS Director 10%	1,920.00		1,040.00	880.00	54.17%
1.1.4.	Project Assistant 70 %	10,080.00		5,460.00	4,620.00	54.17%
1.1.5.	3 Social workers in 3 Field Offices 3x410.00 + 5 % PIO	30,996.00		16,789.50	14,206.50	54.17%
1.2.1.	<i>International Staff_Caritas Austria , Expat-part-time</i>	43,200.00		20,400.00	22,800.00	47.22%
1.2.2.	International staff_Expatriate Accommodation (8 stays à 10 days)	4,000.00		1,430.29	2,569.71	35.76%
1.2.3.	Other International staff for Trainings, Kick-Off Meeting..._Accommodation (10 days)	500.00		-	500.00	0.00%
1.3.1.	National project staff - transportation by car (0,42€/km; 1.000 km/month)	10,080.00		6,584.34	3,495.66	65.32%
1.3.2.	International flights (8 flights Expatriate and 2 flights other International Staff)	5,500.00		2,340.23	3,159.77	42.55%
1.	Total of Human Resources (a.)	131,476.00		67,183.01	64,292.99	51.10%
2.1.1.	Lap Top	500.00		500.00	-	100.00%
2.1.2.	Photocopy machine	700.00		687.00	13.00	98.14%
2.1.3.	Camera	500.00		500.00	-	100.00%

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	1,700.00	1,687.00	13.00	99.24%
2. Total of Equipment				
Communication Costs for field officers 30€ per month x 3 field officers+ P.Coordinator	2,160.00	1,104.01	1,055.99	51.11%
Office supplies (Regional Offices and HQ)	5,280.00	2,175.31	3,104.69	41.20%
Database (Documentation Client Files)	1,000.00	978.00	22.00	97.80%
3. Logistics and operational costs	8,440.00	4,257.32	4,182.68	50.44%
Analysis of market (activity 1.1.1.)	3,500.00	3,500.00	-	100.00%
Trainer (5 days training, 2-3days preparation/post-production)	2,240.00	2,240.00	-	100.00%
Flight Trainer	550.00	-	550.00	0.00%
Accommodation Trainer	400.00	-	400.00	0.00%
Accommodation Participants	300.00	250.00	50.00	83.33%
Food, beverage, materials for training participants	300.00	1,000.00	-700.00	333.33%
Emergency fund -Health/Psychological treatment; material; on need (activity 1.3.2.)	7,200.00	167.69	7,032.31	2.33%
Consumption support (60€ per month per 120 beneficiary family)	28,800.00	16,499.33	12,300.67	57.29%
<u>Costs of productive asset in the chosen field (including delivery, installation)</u>				
Training on the use of productive assets including follow-up visits	99,000.00	85,639.02	13,360.98	86.50%
Food + travel costs for training for partic	6,600.00	2,030.00	4,570.00	30.76%
	3,300.00	1,650.00	1,650.00	50.00%
Reimbursement of costs for beneficiaries participating in trainings of professional training centers (travel, material, food) activity 2.2.3	16,200.00	357.00	15,843.00	2.20%
Contribution to employer for 6 months (150€ / month)	48,600.00	-	48,600.00	0.00%
4. Total of other costs	216,990.00	113,333.04	103,656.96	52.23%
Printings (Project Fact sheets/Pamphlets/Posters/..)	1,000.00	35.00	965.00	3.50%
Other Communication	1,332.00	-	1,332.00	0.00%

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5.3.	Translation cost (for information material and reports) and interpretation	3,000.00	183.35	2,816.65	6.11%
5.	Total of review/evaluation	5,332.00	218.35	5,113.65	4.10%
6.	Total of public awareness raising costs				
7.1	External Evaluation	5,000.00	-	5,000.00	0.00%
7.	External Evaluation	5,000.00	-	5,000.00	0.00%
8.1.	Contingency	1,540.00	-	1,540.00	0.00%
8.	Contingency total	1,540.00	-	1,540.00	0.00%
	DIRECT PROEJCT COSTS	370,478.00	186,678.72	183,799.28	50.39%
9.	Project administration cost (based only on ADA Budget)/ indirect costs (PBE) (8,83%)	32,722.00	15,494.33	17,227.67	47.35%
	TOTAL OVERALL COSTS	403,200.00	202,173.05	201,026.95	50.14%

**EXTERNAL FINANCIAL AUDIT
TERMS OF REFERENCE (ToR)**

Back home - and now? Sustainable reintegration of returnees and vulnerable families in Kosovo

1. INTRODUCTION

Caritas Austria is an international NGO implementing activities in the fields of emergency relief and rehabilitation as well as development cooperation, in countries struck by conflicts or natural disasters. Caritas Austria has carried out and supported several projects aiming at the reintegration of migrants and refugees as well as improving their rights and socio-economic wellbeing.

Caritas Austria requests to conduct a Special Purpose Audit concerning the Project “Back home - and now? Sustainable reintegration of returnees and vulnerable families in Kosovo”, executed by Caritas Austria, Albrechtskreithgasse 19-21, A-1160 Vienna, Austria together with KHCS Mother Teresa (MTS) as implementing partner in Kosovo. The project is co-funded by Austrian Development Agency (ADA), contract number 8318-00/2016

The selected audit company will be contracted by Caritas Austria and shall conduct 2 yearly financial audits (1 audit per project year). These TORs shall form an integral part of the audit work and shall be included in the audit report as an annex.

2. BACKGROUND OF THE PROJECT

- a) Donor’s contract number and official project title: **ADC Nr. 8318-00/2016**
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- b) Caritas Austria’s project number: **ÖCZ Nr.1550017**
- c) Project duration/implementing period: **01.12.2015 - 30.11.2017**
- d) Official project budget (with indication of donor’s contribution):
Total project budget: **EUR 403.200,-**
Contribution by ADA: **EUR 360.000,-**
Own contribution: **EUR 43.200,-**
- e) Short project description:
 - Implementing partner organisation: **KHCS Mother Teresa (MTS)**
 - Beneficiaries:
Returnees and non-returnees (emphasizing on women-headed households and minorities)
 - Project activities:
Based upon solid assessments, an integrated needs and opportunity-based bottom-up methodology will be developed. The project offers a perspective to future employees and self-employers, based on their participative elaborated future planning. It combines multi-faceted activities from tailored trainings, enhancement on financial literacy and life skills, and short-term subsidies to encourage employment of beneficiaries, in addition to productive assets transfer and lasting follow up visits and consultations throughout the project cycle
 - Overall project goals:
The project’s overall goal is to contribute to a reduced migration pressure in Kosovo and to foster the (re)integration of Kosovan population by establishing sustainable economic activities and increasing the well-being of 100 returnees and 20 socially deprived households. Targeted areas are those, which were highly

affected by the wave of emigration in late 2014/early 2015 (areas around Mitrovica, Ferizaj and Prishtina).

- Project objectives:

To contribute to a reduced migration pressure and to foster the (re)integration of Kosovan population.

To establish sustainable economic activities and improve the wellbeing of 100 returnee and 20 socially deprived households in the areas of Mitrovica, Ferizaj and Prishtina.

- Project results:

(1) 120 families have developed individual development plans for the next two years regarding their socio-economic situation;

(2) The capacities (skills and resources) of the 120 beneficiary families for successful implementation of economic activities are strengthened

3. OBJECTIVES OF THE AUDIT

The objectives of the audit are:

a) to provide a professional opinion by an external independent auditor on the quality of processes and accounting practices within the audited organisation and specifically as applied within the project at hand

b) to independently verify that the project mentioned above has been implemented in compliance with the requirements of the following documents of reference:

- **Legislation:** National legislation, with particular attention to:

- o Respective social and labour law (including staff and salary regulations).
- o Regulations on VAT and other taxes.

- **International standards:**

- o ISA - *International Standards on Auditing*
- o IFAC - *International Federation of Accountants*
- o Relevant standards of the local accounting profession
- o Local legislation on accounting and reporting

- **Project:** All agreements relevant for the implementation of the project including ADA General Terms and Condition, Project Documents, Terms of Reference (TOR), Budgets, plans of project activities.

- **Accounting:** Accounting documents subject to the financial audit, financial and operational reports concerning the project.

- **Auditor:** The present terms of reference and the related mandate for financial audit.

c) to provide a professional opinion by an external independent auditor on the quality of the audited organisation's financial reporting and its suitability for the requirements of the donors (see particularly *chapter 4.6 of General conditions for projects co-financed by the Austrian Development Agency - ADA*)

4. AUDITOR'S MANDATE

In performing his/her mandate, the auditor shall:

- Verify sound financial management, accuracy and completeness of bookkeeping.
- Audit the accounts on the basis of original vouchers.
- Stamp the original vouchers (invalidation) and perform accurate controls in order to certify the absence of duplication of funding (i.e.: same costs funded by different donors).
- Verify plausibility of expenditures.
- Verify compliance of expenditures with budget items.
- Verify compliance of expenditures with project duration.

- Verify that there is a clear reconciliation between accounting records, original vouchers and financial data included in the project reports.
- Verify that the financial reports provide a true picture of the project's finances.
- Provide information on the project revenues, including donor transfers, bank interest and indication of applied exchange rates.
- Provide information on the treatment of taxes (especially VAT) in the financial reports.* *For projects co-financed by the Austrian Development Agency (ADA), VAT is usually not eligible, unless it is proven that the VAT is borne effectively and finally by the organisation.*
- Verify proper application of the applicable procurement regulations according to ADA General Terms and Conditions
- Proof of the existence of all capital assets and investments purchased with the project funds according to the inventory presented;
- Carry out random physical assets verification

5. AUDITOR'S REPORT

The auditor shall produce a **draft and a final audit report** based on the official project budget and exactly reflecting its budget line structure.

The audit reports must be written in English and must state clearly:

- Contracting Organisation (Caritas Austria)
- Project number and name
- Implementing organisations' names and contact details
- Reporting period and currency
- Exchange rates used in the financial report (to Euro or to the official project currency, as indicated in the project budget), with detailed explanation of their calculation
- Total amount of budgeted and actual expenditures, with differentiation between direct and indirect costs, as indicated in the official project budget
- Complete list of reported expenditures classified according to the relevant budget lines;
- Total amount of budgeted and actual incomes
- Complete list of project funds transferred, including donors' names, dates and exchange rates
- Indication on treatment of taxes and especially VAT
- Comments on not-accepted vouchers
- Indication of documents of reference for audit execution (as indicated under art. 3.b.)
- Inventory list of all goods/equipment procured within the project with a value of over Euro 400,-
- Reference to contact persons/sources of information from implementing partner organisation during audit execution
- Auditor's name, position, address, phone, fax and e-mail
- Date, auditor's signature

6. MANAGEMENT SUPPORT

Caritas Austria and its implementing partner organisation will provide the external auditor with the following material and sources of verification:

- ToR for the external audit
- Project contract between Caritas Austria and donors
- MoU/cooperation agreement between Caritas Austria and its implementing partner organisation
- Official project budget

- Financial project reports, including complete list reported expenditures
- Original vouchers/receipts
- Access to the used bookkeeping system
- Access to information related to bank and cash statements
- Any other documents required by the auditor for the performance oh his/her tasks

The project managers, the accountants and the staff working on the project will be open to collaboration with the auditor.

7. REQUIRED EXPERTISE

- a) The financial audit of projects is to be carried out by an independent auditor having the required professional competence and experience, and in accordance with generally accepted international auditing standards.
- b) The auditor must not have been involved in the operation's accounting.
- c) The auditor must not personally be connected in any way with the organisation being audited.
- d) The auditor must be a registered audit company in the country of project implementation or in Austria.

8. ISSUES TO BE STUDIED

The auditor is asked to carry out 2 yearly audits. Audits are covering the following periods of implementation:

1st Audit: 01.12.2015 - 31.12.2016 (13 months)

2nd Audit: 01.01.2017 - 30.11.2017 (11 months)

In general, the total project period (01.12.2015 - 30.11.2017) is subject to the audit. The total project costs for 2 years are EUR 403.200.-, whereof **EUR 370.478,-** are **direct costs**. Indirect costs (administrative costs) are not subject to the audit (lump sum).

The audit shall only be conducted for the expenses paid in Kosovo. For expenses occurred in Austria, Caritas Austria will send original proofs to Austrian Development Agency.

The Audit Company is asked to:

- check if it is evident from the bookkeeping records and from the audit of accounts that the expenditures are covered by the revenues and thus verify that there is no duplicate financing by external funding bodies
- check that all expenses are recorded in the NGO's accounts and are backed by originals of supporting evidence.
- check if each financial transfers (bank, cash) is understandable and in line with reported expenditures

9. WORK PLAN

The audit shall be carried out in the implementing partners' offices in Prishtina, Kosovo.

The date of the audit will be agreed with KHCS Mother Teresa (MTS).

A list of expenses will be prepared by Caritas Austria and implementing partner and submitted to the auditor before the audit start.

Activity	until	to
Letter/Expression of interest/offer*	30/09/2016	Caritas Austria/Implementing

		partner organisation
Signed contract between auditor and Caritas Austria/Implementing partner organisation**	30/10/2016	Caritas Austria/Implementing partner organisation
1st Audit		
Auditor will receive the financial report (list of expenses to be audited) per	13/01/2017	Auditor
Conducting Audit	Mid to end of Jan	
Sending draft audit report to Caritas Austria/Implementing partner organisation	26/01/2017	Caritas Austria/Implementing partner organisation
Feedback from Caritas Austria/Implementing partner organisation	27/01/2017	Auditor
Finalization of and transmission of the final audit report to Caritas Austria/Implementing partner organisation	31/01/2017	Caritas Austria/Implementing partner organisation
2nd or Final Audit		
Auditor will receive the financial report (list of expenses to be audited) per	10/01/2018	Auditor
Conducting Audit	To be agreed with MTS	
Sending draft audit report to Caritas Austria/Implementing partner organisation	22/01/2018	Caritas Austria/Implementing partner organisation
Feedback from Caritas Austria/Implementing partner organisation	26/01/2018	Auditor
Finalization of and transmission of the final audit report to Caritas Austria/Implementing partner organisation***	31/01/2018	Caritas Austria/Implementing partner organisation

***Letter of interest:**

It should include:

- Description of planned audit implementation
- Schedule of activities
- Auditor' fees
- Auditor's CV and/or company profile

****Contract:**

Before carrying out the audit, a **contract** (based on the ToR for the external audit) has to be signed between Caritas Austria/implementing partner organisation and the respective auditing company (n.b.: for ADA funded project only Caritas Austria is authorised to sign).

The audit contract shall be drafted by the auditor and shall:

- Be written in English
- Include these ToR as an annex and integral part of the contract
- Contain a confirmation that the auditor has read ADA's General Terms and Conditions, especially chapter 4.6 of the General Conditions and acknowledge ADC's rules
- Contain a time schedule for the auditing process

*****Final audit report:**

Singed original version of the audit reports must be submitted in hardcopy to:

- 3 copies to Caritas Austria
- 1 copy to Implementing partner

10. CONTACTS

Caritas Austria

Office: Österreichische Caritaszentrale, Albrechtskreithgasse 19-21, 1160 Vienna, Austria

Contact person 1: helene.trauner@caritas-austria.at, +43 1 488 31-478

Contact person 2: e.haun.caritas@dibk.at, Tel + 43 (0) 512 727063

Implementing partner organization: KHCS Mother Teresa (MTS)

Office: Str. Muje Krasniqi, ULPIANA U1/1, 10 000 Prishtina

Contact person 1: Zef Shala, Director

zefshala@hotmail.com email, Tel.: +377 44 128 277

Contact person 2: Lorik Macula

lorikmacula@gmail.com, Tel: +377 44 155 969
