ODA EKONOMIKE E KOSOVËS | KOSOVA CHAMBER OF COMMERCE

TERMS OF REFERENCE

Expenditure Verification/ (Agreed-Upon Procedures Engagement under ISRS 4400)

"Fostering innovation and sustainability for the dual VET system in Kosovo"

Delegation Agreement KSV/021 • 25 3685

Contracting / Implementing Partner	Kosovo Chamber of Commerce (KCC)
Donor / Contracting Agency	LuxDev – Luxembourg Development Agency
Maximum Agreement Budget	EUR 353,795.50
Implementation Period	1 November 2025 – 30 September 2026
Audit Service Budget	EUR 3,500.00
Audit Type	Independent external financial audit / expenditure verification

4. Expenditures Verification Standards and Methodology

The expenditure verification shall be performed in accordance with the International Standard on Related Services (ISRS) 4400 – Agreed-Upon Procedures Engagements, published by IFAC, and in accordance with the applicable Code of Ethics for Professional Accountants.

The auditor shall comply with the applicable professional ethical requirements and shall maintain independence, objectivity and absence of conflict of interest throughout the engagement.

The auditor shall plan and perform the agreed-upon procedures in a manner that enables and efficient verification of expenditure and shall obtain and retain sufficient supporting documentation and evidence for the factual findings reported.

In obtaining sufficient and appropriate evidence to support the factual findings, the auditor may refer to ISA 500 – Audit Evidence and apply professional judgement where the DAFI, Appendix VII, or these Terms of Reference do not provide sufficient guidance.

The auditor shall maintain adequate working papers and supporting documentation evidencing the procedures performed, the evidence reviewed and the factual findings reported.

5. Key Expenditure Verification Procedures

The auditor shall perform the procedures prescribed under Appendix VII of the DAFI and the applicable appendices to the Terms of Reference, including, but not limited to, the following:

- Review the Delegation Agreement KSV/021 • 25 3685, Amendment No. 2 and other relevant contractual and project documents.
- Reconcile the final financial report with project accounting records, the general ledger and bank statements.
- Verify expenditure by budget category and assess compliance with the approved and amended budget.
- Test selected transactions for existence, accuracy, authorization, eligibility, supporting documentation and evidence of payment.
- Review procurement and contracting documentation for selected transactions.
- Review payroll and human-resource-related costs charged to the project, where applicable.
- Review travel costs and other project-related reimbursements, where applicable.
- Verify administrative costs and applicable ceilings and contractual provisions.
- Verify revenues, co-financing, subsidies and other resources attributed to the action and disclosed in the financial report, where applicable.
- Identify unsupported, ineligible, incorrectly classified or otherwise questioned expenditure, if any.
- Discuss preliminary findings with KCC before finalization of the Factual Findings Report.

- 5.1 Expenditure Coverage Ratio (ECR)
- The overall Expenditure Coverage Ratio (ECR) shall be at least 65% of the total expenditure reported and claimed under the financial report.
- If the exception rate identified exceeds 10% of the verified expenditure, the auditor shall extend the verification procedures until the overall ECR reaches at least 85%.
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- The auditor shall ensure that the ECR for each expenditure heading and sub-heading in the financial report is at least 10%.

Indicative effort: 2 working days.

Phase 7 – Finalization

Consider KCC factual comments, resolve outstanding matters and issue signed final deliverables.

Expected output: Final Factual Findings Report, observations regarding internal-control weaknesses or compliance issues where relevant, , and schedule of identified ineligible, unsupported or questuined expenditures, if any.

Indicative effort: 1–2 working days.

Indicative Schedule

Phase	Main focus	Working days
1	Planning and inception	2–3
2	Documentation review	3–5
3	Transaction testing	4–6
4	Compliance and controls	2–3
5	Exit meeting	1
6	Draft reporting	2
7	Finalization	1–2
Total	**Indicative level of effort**	**15–22**

7. Deliverables

The auditor shall provide the following deliverables in English:

- Draft Factual Findings Report, including the procedures performed,scope of verification, factual findings, financial observations and identified ineligible unsupported or questioned expenditures,if any.
- Final Factual Findings Report, incorporating KCC's factual comments where appropriate and clearly presenting the agreed-upon procedures performed and the factual findings resulting from those procedures.
- Observations regarding internal-control weaknesses, compliance issues, procurement deficiencies or documentation weaknesses identified during the expenditure verification, where relevant.
- Schedule of identified ineligible, unsupported or questioned costs, if any, with clear references and explanations.

The report shall strictly follow the structure and reporting format prescribed in Appendix VII of the Delegation Agreement for Funds and Implementation (DAFI).

The final report shall be signed by the authorized auditor or audit-firm representative and submitted electronically in PDF format, together with an editable version if requested by KCC.

8. Timing and Level of Effort

The expenditure verification shall be conducted after the financial records and final project documentation for the audited period are available. The assignment shall be completed within a mutually agreed timeframe enabling KCC to meet its final reporting obligations toward LuxDev. The auditor shall propose a detailed work schedule in the technical offer. The indicative level of effort shown above may be refined by the auditor based on the proposed methodology and risk assessment.

14. Conflict of Interest and Independence

The auditor or audit firm must be independent of the activities and financial management being audited. Any actual, potential or perceived conflict of interest must be disclosed before contracting and, if arising during the assignment, immediately communicated to KCC.

15. Reporting and Coordination

The auditor will coordinate the assignment with designated KCC representatives. KCC will facilitate access to relevant records and personnel. LuxDev may request clarification or additional information regarding the expenditure verification results, subject to applicable contractual arrangements.

16. Reservation

These Terms of Reference may be complemented by specific expenditure verification instructions or reporting requirements communicated by LuxDev. In case of inconsistency, the applicable provisions of the Delegation Agreement and formally approved amendments shall prevail.

Prepared for: Kosovo Chamber of Commerce (KCC)

Project reference: KSV/021 • 25 3685