Terms of Reference for IUCN Consultancy

Title: Annual Audit of the Project “ADAPT 2.0: Nature-based Solutions for climate change mitigation and adaptation in the Western Balkans” including ISRS 4400 (Revised)

Objective of the Consultancy

This consultancy has the following objective(s):

1. The objective is to audit annual financial report for the period from 1 September 2024 to 31 August 2025 as submitted to the Swedish International Development Cooperation Agency (Sida) and to express an audit opinion according to ISA 800/ISA 805 on whether the financial report of the project “ADAPT 2.0: Nature-based Solutions for climate change mitigation and adaptation in the Western Balkans” is in accordance with the IUCN’s accounting records and Sida’s requirements for financial reporting as stipulated in the Grant Agreement, including respective appendices between Sida and IUCN.
2. The auditor shall also review additional areas during the audit according to Agreed upon Procedures, ISRS 4400 (Revised) as requested in this Terms of Reference.

Background

Project Reference: P04848

Donor reference (Sida Contribution No.): 16763

About IUCN

IUCN is a membership Union uniquely composed of both government and civil society organisations. It provides public, private and non-governmental organisations with the knowledge and tools that enable human progress, economic development and nature conservation to take place together.

Created in 1948, IUCN is now the world’s largest and most diverse environmental network, harnessing the knowledge, resources and reach of more than 1,400 Member organisations and around 15,000 experts. It is a leading provider of conservation data, assessments and analysis. Its broad membership enables IUCN to fill the role of incubator and trusted repository of best practices, tools and international standards.

IUCN provides a neutral space in which diverse stakeholders including governments, NGOs, scientists, businesses, local communities, indigenous peoples organisations and others can work together to forge and implement solutions to environmental challenges and achieve sustainable development.

Working with many partners and supporters, IUCN implements a large and diverse portfolio of conservation projects worldwide. Combining the latest science with the traditional knowledge of local communities, these projects work to reverse habitat loss, restore ecosystems and improve people's well-being.

www.iucn.org
https://twitter.com/IUCN/

About the Project

"ADAPT 2.0: Nature-based Solutions for climate change mitigation and adaptation in the Western Balkans" is a project funded by the Swedish International Development Cooperation Agency (Sida) and implemented by IUCN, represented by its Regional Office for Eastern Europe and Central Asia (ECARO), through the signed Grant Agreement and relevant appendices. The IUCN ECARO is based in Belgrade, Serbia, where audit services should be provided.

As a continuation of ADAPT Nature-based Solutions for resilient societies in the Western Balkans, IUCN ECARO has started the second phase of this project – ADAPT 2.0: Nature-based Solutions for climate change mitigation and adaptation in the Western Balkans.

ADAPT 2.0 demonstrates the value of NbS by strengthening regional resilience and promoting sustainable development. In this new phase, the initiative aims to enhance understanding of NbS for climate change mitigation and adaptation, while promoting their integration into regional policies and practices. Building on lessons learned from the first phase, the project facilitates regional cooperation by embedding NbS into policies and practice aligned with the Green Agenda for the Western Balkans (GAWB) and supports the development of strategic frameworks such as the Western Balkans Forest Landscape Restoration Plan. ADAPT 2.0 aims to catalyse opportunities for deploying NbS on the ground in the Western Balkans, with a long-term focus. One of its key goals is to establish a regional fund by the end of the project to mobilise resources for future NbS development and implementation, in line with regional restoration plans.

Key Objectives:

1. Deepen Knowledge and Awareness: Build on the lessons of ADAPT 1.0 to enhance understanding of NbS among decision-makers, local communities, and practitioners.

2. Support Regional Policies: Align NbS initiatives with the Green Agenda for the Western Balkans and develop strategic frameworks, including the Western Balkans Forest Landscape Restoration Plan.

3. Implement and Scale NbS: Expand pilot projects in Albania, North Macedonia, and Serbia while establishing a Regional Fund for sustainable NbS financing.

The total value of the Grant Agreement is SEK 27,000,000 (twenty-seven million Swedish Kronor), with Euro value of total project budget of EUR 2,371,229 (two million three hundred seventy-one thousand two hundred twenty-nine Euros) for a four-year project period.

The initial budget of the first project period (1 September 2024 to 31 August 2025) amounts to EUR 592,955. Budget has been revised in May 2025, resulting in the revised budget for the first project period in the amount of 343,293.

Description of the Assignment

1) Annual Audit

The objective is to audit the project financial report for the period from 1 September 2024 to 31 August 2025 as submitted to Sida and to express an audit opinion according to ISA, applying ISA 800/ISA 805 on whether the financial report of the project "ADAPT 2.0: Nature-based Solutions for climate change mitigation and adaptation in the Western Balkans" is in accordance with the IUCN's accounting records and Sida's requirements for financial reporting as stipulated in the Grant agreement, including respective appendices between Sida and IUCN (Agreement).

The overall project duration covers four project years, starting from 1 September 2024 until 31 August 2028. Considering possible changes in the project duration, this Terms of Reference/assignment refers to the financial audit of the Project's financial report for the period from 1 September 2024 to 31 August 2025.

There is a possibility to extend this engagement/services to future periods, depending on the donor's requirements and decision on the final project duration, and shall be provided upon such request.

The audit shall be carried out in accordance with the International Standards on Auditing (ISA) issued by the International Auditing and Assurances Standards Board (IAASB).

2) Agreed-Upon Procedures ISRS 4400 (Revised)

As per donor's requirements set in the Grant Agreement and related *Annex D Terms of Reference (ToR) for Annual Audit*, the auditor shall perform additional assignment to each period's audit. According to the Agreed-Upon Procedures ISRS 4400 (Revised), the auditor shall review the following areas and perform the following mandatory procedures:

1. Observe whether the financial report is structured in a way that allows for direct comparison with the latest approved budget.

2. Observe and inspect whether the financial report provides information regarding:

   a) Financial outcome per budget line (both incomes and costs) for the reporting period and columns for cumulative information regarding earlier periods under current agreement.

   b) When applicable, compare if the opening fund balance for the reporting period matches with what was stated as closing fund balance in the previous reporting period.

   c) A disclosure of exchange gains/losses. Inquire and confirm whether the disclosure includes the entire chain of currency exchange from Sida's disbursement to the handling of the project/programme within the organisation in local currency/ies, if applicable.

   d) Explanatory notes (such as, for instance, accounting principles applied for the financial report).

e) Amount of funds that has been forwarded to implementing partners, when applicable.

3. a) Inquire and inspect with what frequency salary costs during the reporting period are debited to the project/programme.

   Choose a sample of three individuals for three different months and:

   b) Inquire and inspect whether there are supporting documentation for debited salary costs.

   c) Inquire and inspect whether actual time worked is documented and verified by a manager. Inquire and inspect within which frequency reconciliations between debited time and actual worked time is performed.

   d) Inspect whether the Cooperation partner comply with applicable tax legislation with regard to personal income taxes (PAYE) and social security fees.

4. Review and confirm that the Cooperation partner screens IP's and/or suppliers to ensure that such parties are not subject to the European Union's financial sanctions list of persons, groups and organisations (EU Sanctions list).

   Enquire whether there has been any reported findings from the screening process and if so, report on such findings.

5. a) Inspect and confirm that the unspent fund balance (according to the financial report) at the end of the financial year is in line with information provided in the accounting system and/or bank account.

   b) **Applicable the final year:** Inspect and confirm the unspent fund balance (including exchange gains) in the financial report and confirm the amount that shall be repaid to Sida.

3) The Reporting

The reporting shall be signed by the responsible auditor (not just the audit firm) and shall include the title of the responsible auditor.

Reporting from the ISA assignment
The reporting from the auditor shall include an independent auditor's report in accordance with the format in standard ISA 800/805 and the auditor's opinion on the Project's financial report shall be clearly stated. The financial report that has been the subject of the audit shall be attached to the audit report.

The reporting shall also include a Management letter that discloses all audit findings, as well as weaknesses identified during the audit process. The auditor shall make recommendations to address the identified findings and weaknesses. The recommendations shall be presented in priority order and with a risk classification.

Measures taken by the organisation to address weaknesses identified in previous audits shall also be presented in the Management Letter. If the previous audit did not have any findings or weaknesses to be followed-up on, a clarification of this must be disclosed in the audit reporting.

If the auditor assesses that no findings or weaknesses have been identified during the audit that would result in a Management Letter, an explanation of this assessment must be disclosed in the audit reporting.

Reporting from the ISRS 4400 (Revised) assignment
The additional assignment according to the Agreed-Upon Procedures ISRS 4400 (Revised) under section 2), shall be reported separately in an "Agreed-upon procedures report". Performed procedures should be described and the findings should be reported in accordance with the requirements in the International Standard on Related Services 4400 (Revised).

When applicable, the sample size shall be stated in the report.

Duration of the Assignment

From October 2025 to 31 January 2026.

There is a possibility to extend this engagement/services to future periods, depending on the donor's requirements and decision on the final project duration, and shall be provided upon such request.

Deliverables and Activities

The consultant will provide the following deliverables:

	Activities	**Deliverables**	**Deadline for submission**
1	Financial Audit Agreed-Upon Procedures	Draft Auditor's report and draft Management letter for the period from 1 September 2024 – 31 August 2025 Draft Agreed-upon procedures report	10 November 2025
		Auditor's report and Management letter for the period from 1 September 2024 – 31 August 2025 Agreed-upon procedures report	14 November 2025

Maximum budget for the assignment

The maximum budget for the annual audit is estimated **at EUR 8,333 exclusive of VAT**, i.e. **EUR 10,000 <u>inclusive</u> of all costs and VAT.**

The same maximum budget for the annual audit shall apply to any future periods if the services are extended.

Skills and Experience

The consultant must have the following skills, education and experience as a minimum:

- Knowledge and experience in conducting the audit engagements of the projects in accordance with International Standards on Auditing ISA 800/805, issued by IAASB.
- Experience in financial audits in the context of an International organization or non-profit organization.

- Experience in the similar assignments for projects financed by the donors (e.g. Sida, EC, WB, KfW, etc.). Experience in regional/multi-country projects is an advantage.
- Knowledge and experience in conducting Agreed-Upon Procedures engagements ISRS 4400 (Revised) in the context of projects and according to the provided ToR.
- Adequate capacity and resources required to carry out the assignment. The consultant should have capacity to assign a qualified and experienced team that will work on this assignment. The qualifications and experience of presented staff should be related, where possible, to the assignments of auditing similar projects.

Supervision and coordination

The consultant will report to and work under the supervision of Regional Finance Officer of IUCN ECARO.