

## Terms of Reference

### Evaluation of the instrument of reference lists of audit firms in the context of the financial reporting of projects supported by Brot für die Welt

#### 1. Introduction

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Brot für die Welt is the worldwide development organisation of the Protestant Regional and Free Churches in Germany, which empowers disadvantaged and marginalised people in almost 90 countries to improve their living conditions through their own efforts. Its work focuses on food security, the promotion of education and health, respect for human rights and the integrity of creation. The work of Brot für die Welt focuses on supporting projects in the Global South. In doing so, they work closely with local, church-based and secular partner organisations. Through lobbying, public relations and educational work in Germany and Europe, Brot für die Welt tries to influence political decisions in the interests of the world's disadvantaged and to raise awareness of the need for a sustainable way of living and doing business.

Brot für die Welt is accountable to its donors. Accountability to the German Ministry of Economic Cooperation and Development (BMZ) is described in the funding guideline ("Procedure for development-related projects of churches in developing countries using federal funds"). Brot für die Welt appoints independent auditors to examine the reliability of the information in the project organisers' financial reports. The final responsibility for the selection and quality of the contracted audit firms lies with Brot für die Welt. It is therefore a legitimate concern that only firms that are familiar with NGO project audits and the specific requirements of Brot für die Welt are selected.

In order to regulate cooperation with auditors, Brot für die Welt has drawn up a globally applicable auditing agreement. The agreement stipulates that the audit must be carried out in accordance with the international rules for auditing (International Standards on Auditing – ISA1 and/or International Standard on Assurance Engagements 3000 – ISAE 3000 for the compliance opinions). These comprehensive sets of rules describe the auditing process in detail, as well as the duties of the auditors and the limitations of an audit.

The overall work with audit firms is designed, coordinated and implemented by the audit team of the Consultancy Unit in the International Programmes Directorate. The audits are carried out in coordination with the regional units.

The objectives of the work with audit firms are to contribute to this,

- that the system of selecting and qualifying of audit firms is appropriate, effective, targeted and coherent,
- that audits meet the requirements of the BMZ and Brot für die Welt,
- ensure confidence in the audit reports.

The subject of the evaluation is the creation of country-specific reference lists of auditing firms and the quality and risk management of the listed firms by Brot für die Welt.

To date, 52 reference lists have been compiled worldwide, 35 in English, 13 in Spanish, 2 in French, and 2 in Portuguese speaking countries. In total, there are around 300 audit firms on the reference lists (an average of 6 audit firms per reference list). The process of selecting the auditors includes market research, a questionnaire survey, interviews, criteria-based selection, followed by a qualification workshop, a letter of acceptance and final inclusion in the reference list.

Quality management includes reviewing the use of the lists, updating of the lists, implementation of 10 update workshops in the years 2023 and 2024, the publication of 9 newsletters to date, the development of materials for partner organisations and case consultation.

At irregular intervals, the audit team of the Consultancy Unit publishes newsletters on specific topics in order to address certain areas of auditing of Brot für die Welt funded projects in more detail. These newsletters (Building Bridges) and another format (Urgent Issue Updates) are sent to all listed audit firms.

Partner organisations are given an auditor selection guide and have access to a book about auditing published by Brot für die Welt (Making our planet a better place). An online self-learning course for partner organisations will be introduced in the coming months. Consultants who advise partner organisations on financial management will receive urgent issue updates, newsletters and a reader. Risk management includes the review of all audit reports by the Regional Units and the Internal Project Auditing Unit as well as random reviews of audit reports by the audit team of the Consultancy Unit. Cold file reviews analyse the quality of audits carried out and an anti-corruption tool has been introduced.

44 cold file reviews have been performed since 2021. Cold file reviews are conducted with completed audits and are to be seen in the context of the ISQC1 (International Standard of Quality Control) and are a measure recommended by the IFAC for assessing the quality of auditing firms. They aim to ensure that the audit quality has been maintained at an acceptable level, i.e. that sufficient appropriate audit evidence has been obtained for the key areas of the audit report and that the planning and finalisation of the audit have been carried out appropriately. The findings are documented in an analysis matrix.

## **2. Cause and objective of the evaluation**

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The process of creating reference lists began in 2016. 9 years on, it is time to take a critical “outside” look at the work with reference lists for the first time. The aim of the evaluation is to assess the entire work (creation process of reference lists, quality and risk management) in terms of its relevance and effectiveness.

The addressee of the findings and recommendations is the Consultancy Unit of Brot für die Welt. The results will be used to identify the need for change and to determine the future direction of the work related to auditing.

### **3. Key questions**

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The evaluation focusses on the DAC criteria Relevance and Effectiveness. The following questions are to be analysed and corresponding recommendations made for the future work of Brot für die Welt in the field of auditing.

#### ***Relevance***

1. Is the existing work with mandatory reference lists of auditors a relevant approach?
2. To what extent is the way in which quality control is carried out appropriate?
3. Are the offers and the materials provided relevant and sufficient for the auditors, partner organisations and consultants?
4. Should stakeholder like staff of Brot für die Welt, regional departments, partner organisations, or consultants be focussed more or less strongly as target groups of the Consultancy Unit?

#### ***Effectiveness***

5. How appropriate is the process for preparing the reference lists (with research, questionnaire, interviews and introductory workshop) to ensure that the auditors are suitable and qualified?
6. How appropriate is the monitoring of how much which audit firm is selected by the partner organisations? Should there be a maximum? To what extent does, or should, Brot für die Welt influence the frequency of selection of audit firms?
7. What are positive or negative unintended effects of the reference lists?
8. How appropriate is the quality assurance of the reference lists of the audit firms?
9. Are the right people being reached in the introductory workshops? Do the people doing the audits have the relevant knowledge?
10. How effective are the tools of update sessions, urgent issue updates and newsletters? What would be alternative approaches? Should more be invested in the qualification of audit firms?
11. Does the use of cold file reviews improve the quality of the audit process and validity of the audit?
12. How useful is the tool for considering misuse and corruption risks?
13. What innovative models for creating reference lists and qualifications are conceivable?
14. How is the work perceived within Brot für die Welt? How is the visibility and communication of the audit team of the Consultancy Unit within Brot für die Welt?
15. To what extent can the objectives of the work area be achieved with the available resources? Can the updating of all reference lists be realistically achieved with the available resources?

### **4. Evaluation design/methods**

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The focus of the evaluation is the work with English, French, and Spanish speaking countries. A review of actual audit reports does not form part of the evaluation.

Brot für die Welt will provide conceptual documents, results of own assessments and reviews, sample cold file review reports, examples of audit reports and management letters, workshop documentations and material that are provided to stakeholders. International travel to partner countries is not required. The evaluators will identify appropriate methods for answering the

evaluation questions. First ideas will be presented with the proposal. After having reviewed basic documents and a first meeting with key Brot für die Welt staff, methods will be reviewed and presented in an inception report. This should include an evaluation matrix.

Stakeholders that might be included into the evaluation process are auditors, partner organisations, consultants supporting partner organisations, and staff of Brot für die Welt.

**5. Process of the evaluation/time frame**

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The proposed timeline is the following:

| <b>Time</b>  | <b>Content/Product</b> |
|--|------------------------|
| Kick off meeting (online or in presence)                                     | June 2025              |
| Inception Report   | June/July 2025         |
| Data collection and analysis   | July to September 2025 |
| Draft version of the evaluation report                                       | October 2025           |
| Debriefing with the Brot für die Welt steering group (online or in presence) | October 2025           |
| Final version of the evaluation report                                       | November 2025          |
| Presentation of the results and recommendations of the evaluation (online)   | November 2025          |

**6. Expected products**

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The following products are expected:

***Inception Report***

The inception report should be written in English and should describe how the objectives, questions and products mentioned in the Terms of Reference will be addressed. The evaluation design and methods to be used should be described in detail. An evaluation matrix should be included. Suggestions can be made to supplement or limit the Terms of Reference. The client must accept these suggestions within an agreed timeframe, as this constitutes a modification of the contract between the client and the contractor. The inception report should not exceed 15 pages.

***Evaluation Report***

The evaluation report should be written in English and should not exceed 40 pages (excluding executive summary and appendices). It is expected that the evaluation report will present the results and formulate recommendations that are precise, realisable and clearly addressed. The description of the methodology and approach as well as a comprehensible executive summary are an integral part of the evaluation report.

## 7. Key qualifications of the evaluators

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The following qualifications/requirements are expected:

- Preferably a team of two evaluators;
- Experiences in the development cooperation;
- Experiences in the NGO-sector including civil society and faith-based organisations;
- Experience with international audit processes and standards;
- Experience with knowledge and quality management as well as communication strategies and formats;
- Experience in conducting evaluations;
- Profound knowledge of empirical data collection and analysis methods (qualitative methods, quantitative methods, mixed-methods design, triangulation);
- Profound English, French and Spanish language skills.

## 8. Offers

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This call comprises a two-stage process: the expression of interest with a tender competition and the submission of offers.

### a) Expression of interest:

We ask all interested evaluation teams to send an expression of interest to the e-mail address below by **07.04.2025 at the latest**.

Please send us as part of the expression of interest:

- a short profile description that gives us information about your competences and suitability for the implementation of the assignment, including meaningful CVs of all participating evaluators. For data protection reasons, please send the CVs as a separate file;
- any questions you may have about the Terms of Reference.

Answers to all questions and an invitation to tender will then be sent to those who have qualified in the expression of interest phase. The criteria for the assessment/selection can be found under paragraph 7 'Key qualifications of the evaluators'. At least three evaluation teams will be invited. We kindly ask you to refrain from making enquiries by telephone.

### b) Bidding:

The second step is the submission of offers. Offers must be submitted to the e-mail address below by **02.05.2025 at the latest**.

A complete offer consists of:

- a **technical proposal** which specifies the timetable and conclusively sets out the methods to be used to achieve the objectives of the evaluation (not exceeding 15 pages);
- a **financial proposal** stating the fees of the respective evaluator(s), the expected travel and incidental expenses (according to the German Federal Travel Expenses Act, Bundesreisekostengesetz – BRKG) as well as further costs. All costs including VAT must be listed in the financial offer. No daily allowances/flat-rate subsistence allowances, flat rates for general administration/communication costs etc. can be accepted.

**Assessment of the offers:**

The contract shall be awarded to the most economical tender, taking into account all the circumstances.

For the evaluation of the tender with regard to the award of the contract, the evaluation shall be carried out on the basis of the criteria listed below and their respective weighting:

| <b>Award criterion</b>          | <b>Weighting of the award criterion in %</b> |
|---------------------------------|--|
| Quality of the technical offer  | 40 %   |
| Qualification of the evaluators | 30 %   |
| Total price                     | 30 %   |

We reserve the right to award the contract already at the time of submission of the offer. We also reserve the right to conduct telephone or personal interviews with applicants in order to reach a decision.

**Please send the expression of interest and/or the complete offer by e-mail to:**

Evangelisches Werk für Diakonie und Entwicklung e. V.  
Results Management Unit  
Attn: Dietmar Mälzer  
Caroline-Michaelis-Str. 1  
10115 Berlin

[evaluation\\_ausschreibung@ewde.de](mailto:evaluation_ausschreibung@ewde.de)