



TERMS OF REFERENCE

FOR THE PROCUREMENT OF EXTERNAL AUDIT SERVICES

CONTRACT NUMBER: CCARDESA FIN/008/14

1. BACKGROUND

The Centre for Coordination of Agricultural Research and Development for Southern Africa (CCARDESA) was established through a Charter, article 10 as a Sub Regional Organisation (SRO) headquartered in Gaborone, Botswana. It enjoys substantial support from Member States of the Southern African Development Community (SADC), agricultural stakeholders in the SADC Region and development partners. CCARDESA is a not-for-profit SRO which coordinates the implementation of agricultural research and development (R&D) in the SADC region. Its main goal is to contribute to sustainable reduction in food insecurity and poverty in the SADC region as pronounced in SADC's Regional Indicative Strategic Development Plan (RISDP), the Dar es Salaam declaration on food security, and the Comprehensive Africa Agriculture Development Programme (CAADP) developed by the African Union's New Partnership for Africa's Development (AU-NEPAD). CCARDESA operates within the framework of CAADP Pillar IV which has the objective of enhancing the livelihoods of African farmers and pastoralists and is spearheaded by the Forum for Agricultural Research in Africa (FARA); and increase smallholder productivity and competitiveness through the implementation of Pillar IV of CAADP for the SADC region based on the Framework for African Agricultural Productivity (FAAP).

Its main funding is from member states and international corporations' partners FARA, SDC and USAID who are funding the operations of CARDESA Secretariat with a total budget of \$3.870 million (Three Million Eight Hundred and Seventy Thousand US Dollars approx.). Further CARDESA Secretariat is implementing projects that are funded by different donors, currently it has one project funded by World Bank with an estimated budget of \$0.6 Million (Six Hundred Thousands United States Dollars)

It is against this background that CARDESA secretariat intends to apply these funds to engage an independent external auditor for the three years 2012, 2013 and 2014.

The audit shall be carried out in accordance with international audit standards issued by International Organization Federation of Accountants (IFAC). The audit shall be carried out by an external, independent and qualified auditor (Certified Public Accountant/Authorized Public Accountant).

2. OBJECTIVE OF THE AUDIT

2.1 The objectives of this audit are to enable the Auditor to express an audit opinion in accordance with ISA 800 on whether:-

- the consolidated financial statements of CARDESA for the year ended 31 December 20xx presents, in all material respects, in conformity with the applicable Agreement Terms and Conditions of the agreement; and
- the revenue and expenditure of the (APPSA project) project for the year ended 31 December 20xx presents, in all material respects, in conformity with the applicable Agreement Terms and Conditions of the financing agreement.

2.2 The Secretariat books of accounts provide the basis for preparation of those financial statements and are established to reflect the financial transactions in respect of the Secretariat and that it maintains adequate internal controls and supporting documentation for transactions.

3. RESPONSIBILITY FOR PREPARATION OF FINANCIAL STATEMENTS

3.1 The responsibility for the preparation of PFSs lies with the CCARDESA Secretariat and is also responsible for:

(a) The selection and application of accounting policies. CCARDESA Secretariat will prepare the PFSs in accordance with applicable accounting standards-either the International Public Sector Accounting Standards (IPSASs), International Financial Reporting Standards (IFRs), or National Accounting Standards that comply with IPSASs or IFRs in all material respects; and

(b) Implementing accounting, administrative and financial procedures documented in manuals.

3.2 The auditors are responsible for the formulation of an opinion on the PFSs based on their audit conducted in accordance with ISAs (International Standards on Auditing) issued by the IFAC (International Federation of Accountants) or ISSAIs (International Standards of Supreme Audit Institutions) issued by the INTOSAI. National Auditing Standards that comply with ISAs or ISSAIs in all material respects will also be accepted. In accordance with these standards, the auditors will request the CCARDESA Secretariat for an Engagement/Confirmation Letter committing the CCARDESA Secretariat management to the preparation of the PFSs and maintenance of proper internal control systems as well as acceptable documentation for all financial transactions.

4. SCOPE OF THE AUDIT

4.1 The audit will be carried out in accordance with the Standards specified in 3.2 above and will include such tests and verification procedures as the auditors consider necessary under the circumstances. In conducting the audit, special attention should be paid to the following:

(a) All funds have been used in accordance with the conditions of the financing agreement, with due attention to economy and efficiency and only for the purposes for which the funds were provided;

(b) Member States funds have been properly maintained in the designated reserves fund account;

(c) Goods, works and services have been procured in accordance with the procurement manual in accordance with the CCARDESA rules and procedures; and have been properly accounted for;

(d) Appropriate supporting documents, records and books of accounts relating to all project activities have been kept. Clear linkages should exist between the books of accounts and the financial statements presented;

(e) Separate bank accounts have been maintained in accordance with the provisions of the financing agreement;

(f) Comprehensive assessment of the adequacy and effectiveness of the accounting and overall internal control system to monitor expenditures and other financial transactions and ensure safe custody of project-financed assets and that they are being used for the intended purposes; and

(g) Ineligible expenditures identified during the audit will be reflected in a separate paragraph of the audit report and if material, the point should be reflected in the auditors' opinion.

4.2 In accordance with International Standards on Auditing, the auditors shall pay attention to the following:

(a) **Fraud and Corruption:** In accordance with **ISA 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements)** the auditors shall identify and evaluate risks related to fraud, obtain or provide sufficient evidence of analysis of these risks and assess properly the risks identified or suspected;

(b) **Laws and Regulations:** In preparing the audit approach and in executing the audit procedures, the auditors shall evaluate the CCARDESA Secretariat's compliance with the provisions of laws and regulations that might impact significantly the PFSs as required by **ISA 250 (Considerations of Laws and Regulations in an Audit of Financial Statements)**;

(c) **Governance:** Communicate with the CCARDESA Secretariat Management responsible for Governance regarding significant audit issues related to governance in accordance with **ISA 260: (Communication with those charged with Governance)**; and

(d) **Risks:** With a view to reducing audit risks to a relatively low level, the auditors will apply appropriate audit procedures and handle anomalies/risks identified during their evaluation. This is in accordance with **ISA 330 (The Auditor's Responses to Assessed Risks)**.

5. MANAGEMENT LETTER

5.1 In addition to the audit report, the auditors will prepare a "management letter" in which they will:

(a) Give comments and observations on the accounting records, procedures, systems and controls that were examined during the course of the audit;

(b) Identify specific deficiencies and areas of weakness in systems and controls and make recommendations for improvement;

(c) Report on the degree of compliance with each of the financial covenants on the Loan/Grant agreement and give comments, if any, on internal and external matters affecting such compliance;

(d) Report on the implementation status of recommendations pertaining to previous period audit reports;

(e) Communicate matters that have come to their attention during the audit which might have a significant impact on the implementation and sustainability of the project; and

(f) Bring to the Board/donor's attention any other matters that the auditors consider pertinent.

5.2 Ideally, the management letter will include reactions/comments from CCARDESA Secretariat on the weaknesses noted by the auditors.

6. GENERAL INFORMATION

6.1 The audit report including the financial statements, the management letter including the CCARDESA Secretariat's responses should be received by the Board within six (6) months after the end of the fiscal year under review.

6.2 The auditors should be given access to all legal documents, correspondence and any other information associated with the project and deemed necessary by them. Confirmation of amounts disbursed and outstanding at the Bank should also be obtained.

7 AUDITORS EXPERIENCE AND QUALIFICATIONS

Qualifications and Experience

The Auditor will employ adequate staff with appropriate professional qualifications and suitable experience with IFAC standards, in particular International Standards on Auditing and with experience in auditing the accounts of entities comparable in size and complexity to the Entity. In addition the audit team as a whole will have:

- Appropriate experience with audits of external aid operations financed by the donors. At least one senior member of the fieldwork team either a manager/supervisor should have such experience;
- Demonstrate sufficient knowledge of relevant laws, regulations and rules in the country concerned. This includes but is not limited to taxation, social security and labour regulations, accounting and reporting, and
- Fluency in English

Team composition

The team of auditors required for this engagement will be composed of a level 1 auditor who has the ultimate responsibility for the audit and signing of the opinion and an audit team which is composed of an appropriate mix of level 2 – 4 auditors and who have the qualifications and experience as set out below.

Level 1 – Audit Partner

An audit partner must be a highly qualified expert with a relevant university or professional qualification and assuming or having assumed senior and managerial responsibilities in public audit practice. He/she should be a member of a national accounting or auditing body or institution. He/she must have at least 12 years of professional experience as a professional Auditor or accountant in public audit practice and experience with working with the recipient countries of donor aid will also be taken into account.

An audit partner, or another person in a position similar to that of a partner, is the person of the audit firm who is responsible for the audit and its performance, and for the report that is issued on behalf of the firm. He/she has the appropriate authority from a professional, legal or regulatory body and is authorized to certify accounts by the laws of the country in which the audit firm is registered.

Level 2 - Audit Manager

An audit manager must be a qualified expert with a relevant university or professional qualification. He/she must have at least 7 years' experience as a professional auditor or accountant in public audit practice including relevant managerial experience of leading audit teams.

Level 3 –Audit supervisor

An auditor supervisor must be a qualified expert with a relevant university or professional qualification and at least 5 years professional experience in external aid audits or audit practice.

Level 4 –Senior Auditor

A senior auditor must be a technical and administrative staff of at least 3 years standing with the audit firm or a qualified expert with a relevant university or professional qualification and less than 3 years professional experience in public audit practice.

Curricula Vitae (' CVs')

The Auditor will provide the CCARDESA Secretariat with CV's of the partner or other person in the audit firm who is responsible for the audit and for signing the report together with the CVs of the audit manager, supervisor and staff proposed as part of the audit team. CVs will include appropriate details on the type of audits carried out by the staff indicating capability and capacity to undertake the audit as well as details on relevant specific experience.

CCARDESA Secretariat will examine the CVs before it signs a contract for the engagement and will reject them if they are not considered suitable for the requirements of the engagement.

8 EVALUATION OF PROPOSALS- (Technical and Financial)

8.1 The Technical proposal shall be evaluated as follows:

(a)	Understanding of Terms of Reference	20
(b)	Experience of consultant/firm	50
(c)	Key personnel's qualification	30

8.2 Minimum eligible technical score is 75%

8.3 The Lowest Financial Proposal (LFP) for eligible proposal will be selected for negotiations.

9. How to apply

9.1 Audit firm(s) who meet the requirements of the TORs and the commercial and contractual conditions, and if the auditor find any ambiguity, omission or internal contradictory, or any feature that is unclear or that appears restrictive, they should seek clarification before the closing date of submission;

9.2 Audit firm should ensure that they submit a full proposal including all the supporting documents requested. It is essential to ensure accuracy in the curricula vitae of key staff submitted. The curricula vitae should be signed by the consultants and the key individuals and dated. Noncompliance with important requirements will result in rejection of the proposal;

9.3 Once the proposals are received and opened, auditors shall not be required nor permitted to change the substance, the key staff and so forth;

9.4 The process of proposal evaluation shall be confidential;

9.5 The financial proposal should be in **US\$** comprising fees only;

9.6 Bidders are requested to submit (1) one ORIGINAL and (3) Three COPIES clearly marked "ORIGINAL" or "COPY" for each technical and financial offer; and,

9.7 Bidders are reminded to clearly mark technical and financial offer in separate envelopes.

Interested external audit firms with international recognition should submit their proposals, clearly indicating ***'Proposal for the Provision of External Audit Services'*** on or before **Monday, 10th February 2014 at 15:00hrs** to the following address:

The Executive Director
CCARDESA Secretariat
Ground Floor, Red Brick Building
Plot 4701 Station Exit road
Gaborone, BOTSWANA

Tel: +267 391 4997

Fax: +267 3167211

Attention: The Secretary of the Internal Procurement Committee

Proposals received after this time and date, or submitted otherwise than indicated in this shall not be considered.