



دکړهڼی، اوبونځولو او مالدارۍ وزارت  
وزارت زراعت، آبیاری و مالدارۍ

د افغانستان اسلامي جمهوریت  
جمهوری اسلامی افغانستان



**Islamic Republic of Afghanistan  
Ministry of Agriculture, Irrigation and Livestock  
(Community Livestock and Agriculture Project CLAP)**

**REQUEST FOR EXPRESSIONS OF INTEREST**

**For  
HIRING OF CONSULTANT FIRM FOR FINANCIAL AUDIT OF CLAP  
PROJECT FOR THE YEAR 2020 AND 2021**

**Publication Date: April, 08, 2021**

**Closing date: 01, May, 2021**

**REOI Ref No: MAIL/IFAD/CLAP/06032021/CQS**

**Name of Project: Financial Audit of CLAP project in the year 2020 and 2021**

**Loan No/Credit No. /Grant No: 390747**

**Duration: 2 Months**

**Background**

Ministry of Agriculture, Irrigation and Livestock (MAIL) has launched a project called Community Livestock and Agriculture Project (CLAP). The project is funded by International Fund for Agricultural Development (IFAD). The overall goal of the project is to contribute to reducing poverty in rural Afghanistan. More specifically, the project objective is to improve food security of 169,500 rural households by increasing agriculture and livestock productivity. This will be achieved by enhancing productive assets, skills, services, technologies, and income opportunities of the targeted beneficiaries (i.e. by introducing appropriate livestock and agriculture technology options, strengthening local capacity, and strengthening some weak areas of value-chain, including linkages with markets). The project also aims at reducing gender disparities by increasing the social and economic status of women engaged in these activities.

**Audit terms of reference**

**TERMS OF REFERENCE FOR**

**THE FINANCIAL AUDIT AND FACTUAL FINDINGS**

**OF [Community Livestock and Agriculture Project CLAP for FYs 2020 and 2021]**

**1. Background**

- The International Fund for Agricultural Development (IFAD) is aiding the borrower/ Islamic Republic of Afghanistan in the form of grant.
- Financing agreements have been signed between IFAD and the borrower/ [MAIL, Ministry of Agriculture, Irrigation and Livestock]; refer to appendix 1. FA.
- [Insert for private auditor]: IFAD requires the borrower/MAIL/CLAP to appoint an independent auditor to audit the accounts related to the CLAP project including

the RPSF Grant, in accordance with the IFAD Handbook on Financial Reporting and Auditing.

- The reporting entity is [MAIL/CLAP].
- The entity prepares its financial statements in accordance with IPSAS Cash Basis
- The auditor conducts its audit in terms of International Standards on Auditing (ISA).

## **2. Objective**

The objective of this audit is to enable the auditor to express an opinion on whether the financial statements (including additional disclosures as outlined in section 5) present fairly, in all material respects, the financial position of the reporting entity as at FY 2020 and 2021 and the results of its operations and its cash flows for the years then ended, in conformity with the [applicable accounting standards].

## **3. Responsibilities of the borrower/[MAIL/CLAP]**

### **i. General**

- Provide financial statements for the activities financed by the grant] that are reconcilable to its records and accounts.
- Provide the auditor with access to all legal documents and correspondence with consultants, contractors and other persons or firms engaged by the project, and any other information associated with the project and deemed necessary by the auditor.
- Ensure that the accounting policies are consistently applied and disclosed.
- Ensure that appropriate internal controls are implemented to prevent misstatements and susceptibility to fraud.
- Ensure compliance with all relevant laws and regulations that pertain to the entity, as well as with the financing agreement between the borrower/Islamic Republic of Afghanistan and IFAD.
- Provide the financial statements to the auditor within a reasonable time and be available for any queries that the auditor may have.

## ***ii. Financial statements***

The CLAP PST shall:

- Prepare financial statements covering the reporting period [ 20 Dec 2019] to 20 Dec 2020, 21 Dec 2020 to 20 Dec 2021 in accordance with [IPSAS/IPSAS “Financial Reporting under the Cash Basis of Accounting” standards]. In addition, the following specific disclosures will be included in the financial statements:
  - Withdrawal application summary – appendix 1 to the IFAD Handbook on Financial Reporting and Auditing of IFAD-financed Projects;
  - Sources and uses of funds statement – appendix 2 to the IFAD Handbook on Financial Reporting and Auditing of IFAD-financed Projects;
  - Comparison of budget and actual amounts, as a separate additional financial statement or as a budget column in the statement of cash receipts and payments.
  - Statement of cash receipts and Payments;
  - Fixed Asset Schedule as a separate statement
  - Designated Account statement and reconciliation – appendix 3 to the IFAD Handbook on Financial Reporting and Auditing of IFAD-financed Projects;
  - [Statement of Expenditure – appendix 5 to the IFAD Handbook on Financial Reporting and Auditing of IFAD-financed Projects] – application to grants;
  - [Expenditure transaction list - appendix 6 to the IFAD Handbook on Financial Reporting and Auditing of IFAD-financed Projects] – applicable to grants.
  - Notes (a summary of significant accounting policies and other explanatory notes)

## **4. Responsibilities of the auditor**

### ***i. Auditing standards***

- The auditor is responsible for the formulation of an opinion on the financial statements in accordance with International Standards on Auditing (ISA)

### ***ii. General principles***

By agreeing to these terms, the auditor confirms that:

- The firm is independent from the project, its staff and activities, in accordance with international best practices.
- The firm is not providing consultancy services to the project or preparing its project financial statements (nor has it done so in the previous two years).
- The auditor is suitably qualified and a member of a professional body affiliated with the International Federation of Accountants.
- [The office of [public auditor] is a member of the International Organization of Supreme Audit Institutions (INTOSAI).]
- The auditor is able to conduct the audit in line with auditing standards acceptable to IFAD, pursuant to paragraph 4.1.
- The firm can assign an audit team to the audit that has the necessary competence and skills.
- The firm has a proven track record in conducting audits of a similar nature and complexity.

### ***iii. Management letter***

The management letter is an integral part of the audit package that documents accounting and internal control issues identified by the auditors. The management letter should:

- Outline the auditor's recommendations to improve identified accounting and internal control issues;
- Include the responses of project management to the identified control issues, and its proposal to address the issues identified within a specific time period.
  
- Where applicable, follow up on the issues identified in the previous year's management letter.

### ***iv. Reporting***

The Auditor is required to deliver an audit package that includes:

- The audited financial statements, including additional disclosures as outlined in paragraph 3.2;
- An audit opinion on the financial statements, within the scope as outlined in paragraph 5;
- [A report on factual findings, within the scope of agreed-upon procedures as outlined in paragraph 6.] Any ineligible expenditure identified should be clearly mentioned.
- A management letter, including the information outlined in paragraph 4.3;

The audit report should provide sufficient detail as to the nature and extent of the procedures performed by the auditor. The auditor is required to provide the audit package by no later than [insert date]. Reports are to be delivered in English.

## **5. Scope of the financial audit**

In performing the audit, at a minimum the auditor shall:

- Obtain an understanding of the internal controls related to the financial reporting process, to identify and assess any weakness in internal control that might result in misstatements, whether due to fraud or to error;
- Design and conduct audit procedures in response to any weaknesses identified in the internal controls relating to the financial reporting process, to obtain audit evidence that the financial statements are fairly presented and free from material misstatements, in accordance with the applicable accounting framework;
- Verify whether expenditure that was incurred in the name of the project is in line with the terms of the financing agreement(s) (appendix xx) and incurred for the purposes intended in this agreement. Both IFAD and third-party funding should be taken into consideration;
- Verify that the inventory and fixed assets held by the entity exist, are complete, are properly accounted and are used for the project purposes;
- Note any weaknesses in the internal control environment and in the financial reporting process, and communicate those in the management letter.
- [List others].

## **6. Scope of the agreed-upon procedures**

The auditor is required to perform the following specific procedures and report on factual findings as required in paragraph 4.4.

***I. Withdrawal application summary***

The auditor is requested to obtain the individual withdrawal applications (WAs) submitted to IFAD, as summarized in the withdrawal application summary, and develop test procedures to:

- Determine whether the Designated Account currency equivalent was determined using the historical exchange rate of transfers to the operating account;
- Determine whether goods and services have been purchased through the SOE mechanism in line with the stipulated SOE threshold;
- Determine whether the expenditures claimed through SOE procedures were properly and appropriately authorized, classified and supported by audit documentation;
- Identify any ineligible expenditure;

***ii. Designated account statement and reconciliation***

The auditor is requested to review the activities of the designated account(s) associated with the project, including the initial advance, replenishments, interest that may accrue on the outstanding balances, and the year-end balances. The auditor is requested develop test procedures to:

- Check the accuracy of the Designated Account reconciliation(s);
- Confirm that the Designated Account(s) have been maintained in accordance with the provisions of the financing agreement;
- Verify if the sub-account balances specified in the DA is matching with the actual balances.

***iii. Certified Statement of Expenditure*** [applicable to grants]

The auditor is requested to obtain the certified Statement of Expenditure as submitted to IFAD, and develop test procedures to:

- Determine if expenditures incurred are related to the project description in according with the grant agreement;
- Determine whether goods and services have been purchased through the SOE mechanism in line with the stipulated SOE threshold;
- Determine whether the expenditures claimed through SOE procedures were properly and appropriately authorized, classified<sup>49</sup> and supported by audit documentation;
- Identify any ineligible expenditure;

Moreover, the auditor will examine the audited financial statements on operations, resources and expenditures of each Service Providers relating to programme activities. Shall be able to access NSP/MRRD records to audit CLAP financed activities. UN Service Providers such as the FAO may only provide annual internal audit reports or audited financial statements. At such, the auditor shall not audit the books and accounts of such Service Providers but only validate adequate input in CLAP ledger of transactions between the project and the service providers, to ensure proper recording and exposition in the project's financial statements.

***iv. Expenditure transaction list*** [Applicable to grants]

The auditor is requested to obtain the expenditure transaction list submitted to IFAD and develop test procedures to:

- Determine if the expenditure incurred is related to the project description in accordance with the grant agreement;
- [List additional procedures if applicable].

***v. Other***

- Confirm that the e-archiving system is of sufficient quality and substance;
- Confirm the level of exchange rate gains/losses that have been incurred by the recipient;
- Confirm the degree of compliance with the recipient's procurement policy and identify non-compliance (this can also be done as a compliance audit);

**7. Public disclosure**

IFAD promotes public disclosure of project financial information to enhance the level of transparency and accountability. IFAD will disclose project audit reports, as appropriate, in line with the Fund's disclosure policy. Management Letters issued by auditors are not subject to public disclosure by IFAD. In agreeing to the terms of reference, the auditor explicitly acknowledges IFAD's right to publicly disclose audit reports (audited financial statements and audit opinion) and will issue reports without a limitation of use clause.

To facilitate the public disclosure process, the auditor is requested to submit two separate files as follows:

- Audited financial statements and audit opinion; and
- Management Letter.

**8. Appendices [list as applicable]**

Appendix: Financing/grant agreement(s)

Appendix: Letter to the Borrower

Appendix: IFAD Handbook on Financial Reporting and Auditing of IFAD-financed Projects

Appendix: Project Approved PIM (Project Implementation Manual)

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Signed by:

Authorized representative of the auditor

Date:

- (A) The EOI (expression of Interest) can be submitted SNaPP2/MAIL office hard copy, to below address.
- (B) The short-listing criteria is as following:

1- The firm should have similar experience in Financial Audit in the last (5) years.
2- The firm should have similar contract of the same nature, complexity and similar to the project TOR's in last five years.
3- Available resources to carry out the assignment with an annual turnover of equal to or more than AFN-2,000,000.00 during one of the last five years in shape of Bank statement and/or Audit report.

Consultants may associate with other firms in the form of a joint venture or a sub consultancy to enhance their qualifications.

A Consultant will be selected in accordance with the Consultant Qualification Based Selection (CQS) method set out in the Consultant Guidelines.

The Period of assignment is **2Months**.

TOR for the assignment is available in the following websites. **www.mail.gov.af** and you may obtain it from the below mentioned email addresses.

For better understanding and explanation MAIL is planning to conduct a pre-REOI meeting on **April, 15, 2021** at 10:00 AM in MAIL Meeting Hall, Jamal Meena Kabul University Road, Kabul Afghanistan and firms/NGOs must attend the mentioned pre proposal conference at the mentioned time and date.

For receiving soft copy of the REOI and TOR please contact to through the address below during office hours -08:00 till 16:00

You can also submit the soft version of EoI to the addresses below:

[ayaz.momand@mail.gov.af](mailto:ayaz.momand@mail.gov.af)

Expressions of interest should be delivered to the address below before **(April, 26, 2021 at 10:00 AM Kabul Afghanistan Local Time)**

The address referred to above is:

**Attention: Mohammad Ayaz Momand Head of Procurement CLAP/SNaPP2**  
**Community Livestock and Agriculture Projects CLAP**  
**Ministry of Agriculture, Irrigation & Livestock,**  
**Jamal Mina Karti Sakhi Kabul University Road, Afghanistan**  
**E-mail: [ayaz.momand@mail.gov.af](mailto:ayaz.momand@mail.gov.af)**  
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Prepared by procurement unite CLAP/SNaPP2: .....

Review by Program Director CLAP/SNaPP2: .....

Approved by MAIL Authority: .....