

Invitations for proposals: Audit of the Rural Poor Stimulus Facility projects I and II (RPSF I and II)

Vétérinaires Sans Frontières (VSF) Germany wishes to invite audit firms to submit proposals to provide project audit services for subject projects implemented in South Sudan for the period running from 15th March 2021 to 30th June 2022.

Requested services, will be the Audit of the project as per IFADs guidelines inserted below.

Requested Proposal Information:

1. A technical proposal giving
 - a) A description of your firm's experience in providing auditing services in reviewing donor funds utilization.
 - b) A description of your firm's core strengths.
 - c) Proposed team composition for the engagement.
 - d) A description of your firm's audit approach, including an identification of areas that will receive primary focus. Please include the communication process your firm will follow to discuss issues with our management.
2. A Financial Proposal

Proposal submission

Proposals should be submitted electronically to the following Email addresses: recruitment@vsfg.org indicating on the subject line thus "**RPSF I & II Audit**" followed by an abbreviation of the applicant's name. The closing date for receiving proposals is **21st July 2022**.

Appendix 5: Audit terms of reference

Terms of reference for the financial audit and factual findings of

RURAL POOR STIMULUS FACILITY FOR COVID-19 RESPONSE

1. Background

- The International Fund for Agricultural Development (IFAD) is aiding the borrower/recipient in the form of grant(s).
- A financing grant has/have been signed between IFAD and the [borrower/recipient
- IFAD requires the borrower/recipient to appoint an independent auditor to audit the accounts related to the project, in accordance with the IFAD Handbook on Financial Reporting and Auditing <https://www.ifad.org/en/-/ifad-handbook-for-financial-reporting-and-auditing-of-ifad-financed-projects> .
- The reporting entity is VSF Germany.
- The entity prepares its financial statements in accordance with IFRS.
- The auditor conducts its audit in terms of IAS.

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 30th June 2022 and/or 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/recipient]

I. General

- Provide financial statements for the activities financed by the loan/[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 VSF Germany 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

VSF Germany shall:

- Prepare financial statements covering the reporting period 15th March 2021 to 30th June 2022, in accordance with IFRS. In addition, the following specific disclosures will be included in the financial statements:
 - i. Withdrawal application statement – appendix 1 to the IFAD Handbook on Financial Reporting and Auditing of IFAD-financed Projects;
 - ii. Sources and uses of funds statement – appendix 2 to the IFAD Handbook on Financial Reporting and Auditing of IFAD-financed Projects;
 - iii. Designated Account statement and reconciliation – appendix 3(a) and 3(b) to the IFAD Handbook on Financial Reporting and Auditing of IFAD-financed Projects;
 - iv. Statement of Expenditure – appendix 4 to the IFAD Handbook on Financial Reporting and Auditing of IFAD-financed Projects – applicable to grants;
 - v. Expenditure transaction list

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 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 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 30th November 2022. 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 1) and incurred for the purposes intended in this agreement. Both IFAD and third-party funding should be taken into consideration;
- Verify that the amount of the in-kind contribution is reported according to the agreed accounting principles and the reported fair-market value for all in-kind contribution items is reasonable and correctly and fully disclosed in the financial statements;
- 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.

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 statement

The auditor is requested to obtain the individual withdrawal applications (WAs) submitted to IFAD, as summarized in the withdrawal application statement, 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 ¹ and supported by audit documentation;
- Identify any ineligible expenditure;

II. Designated account statement

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 to 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;

III. Certified Statement of Expenditure

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 accordance 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 and supported by audit documentation;
- Identify any ineligible expenditure;

IV. Expenditure transaction list

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;

V. Other

EU-specific requirements: [to be advised by IFAD]

- Confirm that the Statement of Expenditure (SoE) for the reporting period as submitted to IFAD comprises the project information (name of the recipient, grant number, currency of the grant agreement, name of the project and reporting period) as well as whether the presentation of the expenditures is per expenditure category and/or project component as set out in the Schedule 2 of the grant agreement;
- Confirm that the total of the expenditure transaction lists for the reporting period agrees with the total cumulative expenditures for the same period as described in the SoE submitted to IFAD;
- Confirm that the reported expenditure meets with the project eligibility criteria as described in the Schedule 4 of the grant agreement and other eligibility requirements including but not limited to the correct exchange rates are used where applicable; duties, taxes and charges included in the financial report cannot be

¹ The threshold for SOE transactions will be stipulated in the letter to the borrower.

recovered by the Recipient, and expenditure specifically considered ineligible by the Schedule 4 of the grant agreement is not included in the SoE;

- Confirm that the expenditure is recorded in the accounting system of the Recipient or of the Sub-Recipients (Third Parties with Subsidiary Agreements such as Implementing Partners, sub-recipients, service providers, etc.) in accordance with the applicable accounting standards and the Recipient's usual cost accounting practices.
- Confirm that the expenditure is backed up by sufficient and effective supporting documentation listed at www.ifad.org/grantforms, which shall be constantly available and stored in accordance with paragraph 3.11 of the Schedule 3 of the Grant Agreement.
- Select a sample of a maximum of 40 transactions from the Recipient's expenditure transaction listing. This sample shall represent up to 20% of reported expenditure (Sampled transactions will be sorted by amounts and added up starting with the lowest amount. The transaction that brings the total above 20% shall be accepted). Where the transaction listing includes transactions with Sub-Recipients (liquidations of advance payments, direct payments, reimbursements), the auditor can select a maximum of 5 expenditure items per implementing partner with an overall maximum of 20 expenditure items across all Sub-Recipients.

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, audit opinion and report on factual findings (the latter where applicable); and
- Management Letter.

8. Appendices

Appendix 1: Grant agreement(s)

Appendix 2: Letter to the Borrower

Appendix 3: IFAD Handbook on Financial Reporting and Auditing of IFAD-financed Projects