



Islamic Republic of Afghanistan  
Ministry of Agriculture, Irrigation and Livestock  
(SUPPORT TO NATIONAL PRIORITY PROGRAM 2 (SNaPP2))



**REQUEST FOR EXPRESSIONS OF INTEREST**

For

**Hiring of consultant firm for Annual Financial Audit of RPCO/MRRD for the Year  
2019 and 2020**

**Publication Date: February, 09, 2020**

**Closing Date: February, 24, 2020 at 2:00 PM**

**REOI Ref No: MAIL/IFAD/SNaPP2/24042020/CQS**

**Name of Project: Hiring of consultant firm for Annual Financial Audit of  
RPCO/MRRD for the Year 2019 and 2020**

**Duration of the audit: 2 Months for each year**

**Duration of the contract : Two years**

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

**A. Background of the Project**

**The National Priority Programme 2 (SNaPP2)** is a development Programme of the Government of Afghanistan funded by the International Fund for Agriculture Development (IFAD), which was set up in December 2015. The Project duration is effective from 8 December 2015 to 30 June 2022.

**The project goal** is to contribute to improving the food security and economic status of poor rural households in the selected pilot provinces.

**The project objective:** The project objective is to assist in poverty reduction through the provision of equitable, sustainable socio-economic development of rural communities. IFAD financing will contribute to improving the food security and economic status of poor rural households through (i) institutional sustainable socio-economic development of rural communities. IFAD financing will contribute to improving the food security and economic status of poor rural households through (i) institutional development and capacity building of community organizations, public extension services and relevant private sector entities in the pilot provinces; (ii) sustained increased incomes of small farmers and herders fostered by improvements in productivity and output, infrastructure and market linkages in the pilot provinces. In addition, through the support and facilitation of community-based organizations such as CDCs, IAs, and private sector actors, gaps in service delivery will be met by enhancing their access to productive assets, skills, services and technologies for increasing agriculture and livestock productivity in a sustainable manner implying that plant and animal biodiversity will be promoted, traditional know-how acknowledged, climate changes mitigated and vulnerability reduced. Where appropriate, successful enterprises

will be linked to existing and newly developed finance products and services.

**Project Components:** The proposed project is organized around three mutually reinforcing components: (1) Institutional Development, including Strengthening Extension, Smallholder Institutions Development, Support to Private Sector Development, Policy and Implementation Support Facility; (2) Strategic and Productive Investments; and (3) Project Management.

**Project coverage** – The project covers the provinces of Kabul, Parwan, Logar, Nangarhar, Balkh, Baghlan and Herat, aiming at improving food security of rural households.

**Project Implementation** – The Lead Project Agency is directly responsible for implementation of activities related Institutional Development, including Strengthening Extension, Smallholder Institutions Development, Support to Private Sector Development, Policy and Implementation Support Facility; (2) Strategic and Productive Investments; and (3) Project Management.

It also coordinates implementation of other Project activities, implemented by Service Providers. The Project Support Team (PST), headed by a National Project Director is responsible for overall implementation coordination and technical support for Project cross-cutting issues, for policy advocacy, liaison with other development Programmes, as well as for day-to-day management of the Project, including the preparation of annual work plans and budgets (AWPBs), and consolidation of financial statements and progress reports.

**Project Implementation Guidelines** – The project is being implemented in accordance with IFAD guidelines, which includes Financing Agreement, Project Design Report, Letter to Borrower (LTB), General Conditions of Agriculture Project, Handbook for Financial Reporting & Auditing, Financial Manual and Procurement Manual.

**Duration of Assignment:**

The duration of the said assignment is for two years, which would have covered (FY 2019-FY 2020).

**B. Financial Audit and Factual Findings**

**1. Background**

- i. The International Fund for Agricultural Development (IFAD) is aiding the recipient in the form of grant (Component grant DSF-2000000773-).
- ii. A financing agreement has been signed between IFAD and the recipient on 8 December 2015.
- iii. IFAD requires the 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.
- iv. The reporting entity is the Support to National Priority Programme 2 (SNaPP2) of MAIL.
- v. The entity prepares its financial statements in accordance with IPSAS Cash Basis.

- vi. The auditor conducts its audit in accordance with the International Standards on Auditing.

## **2. Objective**

The objective of the audit is to enable the auditor to express an opinion on whether the financial statements present fairly, in all material respects, the financial position of the reporting entity as at 20 December 2019, and the results of its operations and its cash flows for the years then ended, in conformity with the International Public Sector Accounting Standards – Cash Basis.

## **3. Responsibilities of the recipient**

### **i. General:**

- Provide annual financial statements for the activities financed by the grant and the additional financing 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 in the notes to the financial statements.
- Ensure that the appropriate internal controls are implemented to prevent misstatement 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 recipient and IFAD;
- Provide the financial statements to the auditor within a reasonable time and be available for any queries that the auditor may have.
- Provide the auditors with the annual financial statements (possibly audited) of all service providers.

### **ii. Financial statements**

The recipient shall prepare financial statements covering the reporting period 21 December 2018 to 20 December 2019, in accordance with International Public Sector Accounting Standards – Cash Basis. In addition, the following specific disclosures will be included in the financial statements:

- Withdrawal application statement;
- Sources and uses of funds statement;
- Designated Account statement and reconciliation;
- Statement of Expenditure;

- Expenditure transaction list.
- iii. In kind contributions (Govt, beneficiary, DC, etc.): The auditor may review/audit the entire in kind contributions and the support documents.

#### **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**.

##### **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
- 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 the 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;
- 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;
- An audit opinion on the financial statements;
- A report on factual findings. Any ineligible expenditure identified, even related to service providers, should be clearly mentioned;

- A management letter.

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 to SNaPP2/MAIL no later than April 2020. 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 and incurred for the purposes intended in these agreements. 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.

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

The auditor is required to perform the following specific procedures and report on factual findings:

### **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 expenditure 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 Accounts associated with the RPCO/MRRD 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 reconciliations;
- Confirm that the Designated Accounts have been maintained in accordance with the provision of the financing agreement.

## **iii. Certified Statement of Expenditures**

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

- Determine if expenditures incurred are related to the project description in accordance with the financing 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 the 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.

## **5. Transparency and public disclosure**

In line with the standards of the International Aid Transparency Initiative, recipients are encouraged to publish relevant financial information on their own websites, for increased accountability. The recipient and IFAD own the right to publish the audit report, with no limitation-of-use clause. IFAD will publicly disclose project financial statements and audit reports relating to investment projects, subject to processes applicable to their publication and in line with the Fund's disclosure policy. Management's 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.

### **Additional, extra-financial audit activities to be performed by the Auditor**

#### **C. Review of RPCO/MRRD Internal Audit arrangements optionally**

##### **1. Objectives of the internal audit function in RPCO/MRRD**

The overall objectives of the audit are:

- a) To ascertain the efficiency, effectiveness and economy of the program operation;
- b) To ascertain and evaluate the adequacy and effectiveness of the financial management and internal control framework;
- c) To ascertain compliance of the laid down policies, IFAD guidelines, various guidelines, manuals, State Government procedures, prevailing laws, etc., as applicable under the project;
- d) To review maintenance books of accounts and Quarterly/Annual Financial Statements;
- e) To identify areas for improvement and critical weaknesses, if any
- f) To provide Project Management with timely information and recommendations on financial management aspects of the project to enable timely corrective actions, as necessary.

##### **2. Scope of work**

Scope of work of Auditor: The Auditor, through a specialized team, will review the set of internal audit activities performed by the internal audit of the project in the period 2019. The review of the internal audit activities of RPCO/MRRD should be carried out in accordance with International standards as issued by the Institute of Internal Auditors (IIA) and will include such tests and controls, as necessary for the performance of the audit. The audit will cover the all project activities and will not be limited to project financial transactions. The responsibilities include reporting on the adequacy of internal controls, the accuracy and propriety of transactions, the extent to which assets are accounted for and safeguarded, and the level of compliance with IFAD guidelines and State Government **guidelines/procedures on Procurement Management, Human Resources Management, Administrative Procedures, and Management of district offices.**

5. **Submission the report:** The additional report shall be submitted to SNaPP2/MAIL management which forwards both the external audit report and the additional report to IFAD within 20 June 2020.

## 6. Eligibility Criteria for shortlisting of Service Provider CA Firms

Service Provider:

- must be a registered Chartered Accountant Firm having a minimum 5 years' experience in audit
- Should not have been blacklisted by Central/State Govt./Govt. agencies and provide a self-declaration by the Firm's authorized representative.
- The composition of the external audit team and the team in charge for the extra-financial audit activities will be duly specified in the procurement related documentation.

## 7. Selection criteria for the Service Provider

- a) The selection of the Service Provider for SNaPP2/MAIL Auditor shall be made on the basis of Quality and Cost Based Selection method. Interested Service Provider will be required to submit a Simplified Technical Proposal and a Financial Proposal as per Instruction to the Service Provider contained in the Request for Proposal.
- b) The simplified Technical Proposal shall contain the following information:
  - Details or profile of the Service Provider, internal structure and CVs of key staff in the organisation
  - Experience of key staff for the internal audit
  - Material evidences, namely, Reference letters or contract, in respect of previous experience of similar works
  - Any other documents which may support the Proposal
  - Description of the audit plan proposed to carry out for the internal audit

## 8. List of Annexure to ToR:

- i. Appendix 1: Grant Agreements
- ii. Appendix 2: Letter to the Recipient
- iii. Appendix 3: IFAD Handbook on Financial Reporting and Auditing of IFAD-financed Projects

- The Ministry of Agriculture, Irrigation and Livestock, **The National Priority Programme 2** now invites eligible consulting firms ("Consultants") to indicate their interest in providing the Services.
- The EOI (expression of Interest) can be submitted to SNaPP2/MAIL office in hard copy, addresses is stated below as well electronically submission of the EOI is not acceptable.
- The short-listing criteria is as following:



1. The consultant (firm) should have sound track of conducting project Financial Audits, and should have been in business for the last 5 years.
2. Available resources to carry out the assignment with an annual turnover of equal to or more than AFN 1,000,000.00 during any of the last five years in shape of Bank statement and/or Audit report.
3. The firm should have similar contract of the same nature, complexity and similar to the project TOR's in last five years with preferred organization of IFAD,ADB, USAID and any other funded Development projects with the government of Afghanistan.

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 **two months for each year.**

REOI for the assignment is available in the following websites. [www.npa.gov.af](http://www.npa.gov.af) and you may obtain it as well from the below mentioned email address.

For better understanding and explanation MAIL is planning to conduct a pre-REOI meeting on **Feb 15, 2020** at 02:00 PM in SNaPP2/MAIL Meeting Hall, Jamal Meena Kabul University Road, Kabul Afghanistan and firms/NGOs could attend the mentioned pre proposal conference at the mentioned time and date.

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

Expressions of interest should be delivered to the address below by **(February 24, 2020 at 02:00 PM Kabul Afghanistan Local Time)**

SNaPP2 Procurement Department  
Ministry of Agriculture, Irrigation and Livestock  
Jamal Mina Kabul University Road, Kabul, Afghanistan