



Association for Strengthening Agricultural Research in Eastern and Central Africa

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TERMS OF REFERENCE (TOR)

EXTERNAL AUDIT OF ASARECA FINANCIAL STATEMENTS, STATEMENT OF EXPENDITURE (SOE) FOR IFAD-EU CAADP XP4 PROJECT AND FINANCIAL REPORT FOR AICCRA PROJECT (ACCELERATING IMPACTS OF CGIAR CLIMATE RESEARCH FOR AFRICA)

1. BACKGROUND:

The Association for Strengthening Agricultural Research in Eastern and Central Africa (ASARECA) is a sub-regional not-for-profit intergovernmental organization founded by 15-Member States represented by their National Agricultural Research Institutes (NARIs) under the Ministries responsible for agriculture research. The current Member States include: Burundi, Cameroon, Central Africa Republic, Democratic Republic of Congo, Eritrea, Ethiopia, Kenya, Madagascar, Republic of the Congo, Rwanda, Somalia, South Sudan, Sudan, Tanzania and Uganda.

The founders established ASARECA to complement national efforts through sub-regional level collaboration and cost-effective utilization of available resources to improve the delivery of impacts from agricultural innovations.

ASARECA receives assistance to finance its programmes and operations from member country institutions and international development partners that include European Commission, IFAD, USAID, World Bank, Australia, and others. ASARECA books of accounts and financial statements with a financial year ended 31 December, are audited annually. The annual audit may cover the General Statutory reports and donors' specifics reports.

The ASARECA Board of Directors (BoD) periodically appoints its external auditor for a specified period usually not exceeding four years. The current external auditor firm was appointed for the 3 years term effective 2021 financial year audit. The Board of Directors now seeks to make selections and new appointment of an external auditor through a competitive selection process for the audit of the books of account and financial statement effective FY 2024.

2. SCOPE:

The selected audit firm is expected to concurrently carry out three sets of annual audit reviews: (1) the ASARECA organization wide covering the financial years ended December 2024, (2) specific audit of the Statement of Expenditure (SoE) of the IFAD-EU funded CAADP XP4 Project and 3) Specific Audit of the Financial report for AICCRA project of Accelerating Impacts of CGIAR Climate Research for Africa covering the same reporting period.

The audit is normally carried out every year beginning mid-February and completed by end of March with a view to submitting the final audit reports to the Finance Committee of the ASARECA Board of Directors (BoD) at its meeting, which is normally held in April.

In addition, the auditor may be called upon to undertake other specific and individual programme audits on a special call basis during the appointment period.

2.1 ASARECA ORGANIZATION STATUTORY AUDIT REVIEW:

- a) The auditor shall be required to audit the ASARECA financial statements (FSs) of the Secretariat in accordance with generally accepted International Standards on Auditing (ISA) for international public institutions as published by the International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC), and provide its independent opinions to the ASARECA Board of Directors on whether:
 - The funds made available to the Association have been properly recorded, used, accounted for and managed in conformity with generally accepted accounting principles (GAAP) and applied consistently in accordance with internally approved financial management procedures and guidelines and in accordance with donor guidelines.
 - Obtain a reasonable assurance whether the financial statements are free from material misstatements and fairly present the financial affairs of the Association.
- b) The detailed tasks the auditor will undertake include, but are not limited to, verifying the Association's:
 - Revenue and Expenditure statement
 - Statement of Financial Position
 - Statement of Changes in Reserves/Fund Balances
 - Cash flow Statement, and;
 - Accompanying Notes to the Financial Statements that include the cash and fixed asset positions, both donors and other receivables and payables, revenues by source, expenditure by programmes & units, and schedule of sources of revenue and its applications.
- c) The auditor shall also be required to test vouch an adequate sample of the financial source documents to ensure their appropriateness and correctness as well as to verify if the underlying operational internal control systems put in place are adequately and consistently applied, and verify the existence and safeguarding of the physical assets of the Association.
- d) In addition to the independent opinions, the auditor shall prepare a "Management Letter" in which they will:
 - Give comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;
 - Identify specific deficiencies and areas of weakness in systems and controls and make recommendation for their improvement;
 - Report on the compliance of each financial covenant in the relevant financing agreements;
 - Communicate matters that have come to their attention during the audit which might have a significant impact on the implementation of programmes and projects;
 - Bring to the attention of the ASARECA Board of Directors any other matters that the auditors consider pertinent; and, Include the Management Comments in the final Management Letter.

- e) For the audit purpose, the estimated budget that ASARECA managed in 2024 is US\$ 1,500,000, including the IFAD- funded CAADP-XP4 grant project whose estimated budget of US\$ 250,000 and US\$ 1,200,000 for 2025 and AICCRA project of US\$ 320,880

2.2 STATEMENT OF EXPENDITURE (SOE) FOR IFAD-EU FUNDED CAADP XP4 PROJECT

ASARECA entered into grant agreement no. 2000002982 with the International Fund for Agricultural Development (IFAD) to provide financial support of Euros 5,370,000 to implement ASARECA comprehensive Africa Agriculture Programme (CAADP) ex-pillar IV Africa Regional and Sub-regional Organisations for Agricultural Research and innovation Project. The grant is funded under the European Union (EU), represented by the European Commission's contribution agreement no. FOOD/2019/407-682 under which IFAD receive a contribution to finance the Project, which forms part of the overall Programme.

AS the Recipient, ASARECA hereby requests a (1) financial audit on the Statement of Expenditures (SoE) and (2) agreed-upon procedures engagement of the project for the 12 months reporting period ended 31 December 2024. The Recipient reported total expenditures is estimated US\$ 250,000 during the reporting period.

In performing the engagements, the auditors should familiarize themselves with:

- IFAD Handbook on Financial Reporting and Auditing
- Financial and Administrative Framework Agreement ("FAFA") entered into between European Community and the United Nations on 29 April 2003, and to which IFAD acceded on 27 September 2004, as last amended on 1 January 2019.
- Schedule 4 of the grant agreement – project eligible expenditures
- List of required supporting documents as listed at www.ifad.org/grantforms

Scope and list of agreed-upon procedures

2.2.1 Financial audit on the SOE:

The objective of the audit is to enable the auditor to express an audit opinion(s) on whether the SoE (including additional disclosures) present fairly, in all material respects, the financial position of the project, and on funds received and expenditures incurred for the relevant accounting period in conformity with the generally accepted accounting principles. The auditor shall conduct this audit in accordance with the International Accounting Standards. The audit report will outline the audit opinion on the SoE in accordance with ISA 700¹/705.

2.2.2 Agreed-upon procedures engagement:

The auditor shall undertake this engagement in accordance with the International Standard on Related Services ('ISRS') 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the International Federation of Accountants (IFAC). the auditor is expected:

- a) To carry out the agreed-upon procedures listed in the Section 3 of this TOR – Scope and approach of the audit and agreed-upon procedures engagement
- b) To issue report on factual findings that will support IFAD's conclusions on the eligibility of the reported expenditure

¹ ISA 700 (Forming an Opinion and Reporting on Financial Statements) provide illustrative audit reports

The auditor shall comply with the IFAC Code of Ethics for Professional Accountants, developed and issued by IFAC's International Ethics Standards Board for Accountants (IESBA), which establishes fundamental ethical principles for auditors with regard to integrity, objectivity, independence, professional competence and due care, confidentiality, professional behavior and technical standards.

2.2.3 Grant agreement and Statement of Expenditure (SoE) covered by this TOR.

The grant agreement and the Statement of Expenditure (SoE) subject to the audit and agreed-upon procedures engagement are indicated in the section 1 of this TOR – background.

2.2.4 List of agreed-upon procedures covered by this TOR.

The following checks must be performed by the auditor in relation to the eligibility criteria applicable to the grant agreement. Therefore, the auditor is required to gain appropriate understanding of such requirements in order to carry out only the relevant checks and properly apply the relevant eligibility requirements.

- a) 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.
- b) 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.
- c) The reported expenditure meets 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 recovered by the Recipient, and expenditure specifically considered ineligible by the Schedule 4 of the grant agreement is not included in the SoE.
- d) 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.
- e) 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.
- f) 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.

2.3 FINANCIAL REPORT FOR ACCELERATING IMPACTS OF CGIAR CLIMATE RESEARCH FOR AFRICA (AICCRA PROJECT)

AS the Recipient, ASARECA hereby requests a (1) financial audit on the Financial Report of the project for the 12 months reporting period ended 31 December 2024. The Recipient reported total expenditure is estimated US\$ 320.880 during the reporting period.

2.3.1 Audit Standard

Under the terms of the Partnership Performance Agreement (PPA), the Contracted Party is required to have its accounts audited on an annual basis in accordance with International Standards on Auditing (ISA) that are acceptable to CIAT and the World Bank. The audit package (audited financial statement, audit report and management letter) indicated in the PPA is required on an annual basis to confirm whether the financial reports provide a true and fair view in all material respects of the project's expenditures undertaken.

The audit scope may be expanded in response to identified project risks. In such instances, the following standards may be applicable and are considered acceptable:

-International Standard on Related Services (ISRE 4400), for agreed-upon procedures where the auditor is required to submit a report outlining factual findings relating to the review of financial information.

-International Standard on Assurance Engagements (ISAE 3000), where the auditor is required to provide an assurance report over and above the financial statement audit report or factual findings report.

3. REQUIREMENTS FOR THE AUDITOR

3.1 General Principles

By agreeing these ToR, the auditor confirms meeting at least one of the following conditions:

- a) The auditor is a member of a national accounting or auditing supervisory body or institution which in turn is a member of the International Federation of Accountants (IFAC).
- b) The auditor is a member of a national accounting or auditing supervisory body or institution. Although this organization is not member of the IFAC, the auditor commits to undertake the engagement in accordance with the IFAC standards and ethics set out in these ToR.
- c) The auditor is registered as a statutory auditor in the public register of a public oversight body in an EU member state in accordance with the principles of public oversight set out in Directive 2006/43/EC of the European Parliament and of the Council (this applies to auditors and audit firms based in an EU member state).
- d) The auditor is registered as a statutory auditor in the public register of a public oversight body in a third country and this register is subject to principles of public oversight as set out in the legislation of the country concerned (this applies to auditors and audit firms based in a third country).

3.2 Qualifications, Experience, and Team Composition

3.2.1 Qualification and Experience

The auditor will employ staff with appropriate professional qualifications and suitable experience with IFAC standards and with experience in verifying financial information of entities comparable in size and complexity to the Recipient. In addition, the audit team as whole should have:

- a) Experience with programme and projects related to donor funded projects by national and/or international donors and institutions. It is desirable that the team leader and, where applicable, the

fieldwork team, i.e. either the audit manager (category 2) or the senior auditor (category 3) has experience with audits of EU funded programme

- b) Experience with audits in Uganda
- c) Experience with audits of donor funded projects
- d) Sufficient knowledge of relevant laws, regulations and rules in the country concerned. This includes but is not limited to taxation, social security and labor regulations, accounting and reporting.
- e) Fluency in English
- f) A good knowledge of auditing in the ASARECA region

3.2.2 Team composition

The team of auditors required for this engagement will be composed of a category 1 auditor who has the ultimate responsibility for the expenditure verification and a team which is composed of an appropriate mix of category 2 – 4 auditors.

3.2.3 Categories of staff/experts

Category 1 – (Audit Partner)

A Category 1 expert (audit partner) should be a partner or another person in a position similar to that of a partner and be a highly qualified expert with relevant professional qualifications who assumes or has assumed senior and managerial responsibilities in public audit practice. He/she should be a member of a national or international 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. The audit partner will be the person who will be responsible for the specific contract and its performance as well as 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.

Category 2 – (e.g. Audit Manager)

Audit managers should be qualified experts with a relevant university degree or professional qualification. They should have at least 6 years of experience as a professional auditor or accountant in public audit practice including relevant managerial experience of leading audit teams. He/she should be a member of a national or international accounting or auditing body or institution.

Category 3 – (e.g. Senior Auditor)

Senior auditors should be qualified experts with a relevant university degree or professional qualification and at least 3 years professional experience as a professional auditor or accountant in public audit practice.

Category 4 – (e.g. Assistant Auditor)

Assistant auditors should have a relevant university degree and at least 6 months professional experience in public audit practice.

3.2.4 Curriculum Vitae (CVs)

The auditor will provide the Recipient with CVs of the staff/experts involved in the engagement. The CVs will include appropriate details for the purpose of the evaluation of the offer on the relevant specific experience for this engagement and the qualifying work carried out in the past.

4 REPORTING

The auditor is required to deliver an audit package that includes the below for ASARECA Organisation Statutory Audit:

Provide its independent opinions to the ASARECA Board of Directors on whether:

- a) The funds made available to the Association have been properly recorded, used, accounted for and managed in conformity with generally accepted accounting principles (GAAP) and applied consistently in accordance with internally approved financial management procedures and guidelines and in accordance with donor guidelines.
- b) Obtain a reasonable assurance whether the financial statements are free from material misstatements and fairly present the financial affairs of the Association.

The auditor is required to deliver an audit package that includes the below for IFAD -EU Funded CAADP-XP4 project:

- a) The audited SoE, including the expenditure transaction lists and additional disclosures;
- b) An audit opinion on the SoE, within the scope as outlined in Section 3 of this TOR;
- c) A report on factual findings, within the scope of agreed-upon procedures as outlined in Section 3 of this TOR. The report on factual findings shall at least include:
 - Background information of the project subject to engagement
 - Overview on transaction population and sample
 - Short descriptions of the testing process
 - Summary of findings
 - Detail findings including auditor's recommendations. **Any ineligible expenditure identified should be clearly mentioned.**
 - Include responses of the project management to the identified issues, and its proposal to address the issues identified within a specific time.
 - Where applicable, follow up on the issues identified in the previous year's report on factual findings.
 - List names of the audit team

The auditor is required to deliver an audit package that includes the below for the AICCRA project:

- a) An **audited financial** statement following the same format of the financial report (Annex D-Exhibit 1).
- b) An **audit report** in accordance with ISA 700/705, ISSAI 1700/1705.
- c) **A management letter which documents internal control issues identified by the external auditor.**
The management letter should:
 - Outline the auditor's recommendations to address identified internal control issues, and the responses to them on the part of the project's management.
 - Where applicable, provide follow-up commentary on the issues identified in the previous year's management letter.
 - In addition, it is required that any ineligible expenditures identified during the audit be outlined in the management letter

The audit report(s) 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 26th May 2024. Reports are to be delivered in English.

4. METHODOLOGY

4.1 Entry Meeting:

The auditors will be required to hold an entry meeting in order to lay down and agree on the field work plans and set time schedules.

4.2 Field/desk review:

The desk review is expected to be carried out beginning late April and ending with final reporting by Mid May. However, the auditors may re-schedule their test vouching in earlier months with prior agreement with the Head of Finance. During the auditor's field/desk work, ASARECA shall provide the following:

- a) Office Space and logistical support for the auditors
- b) The Head of Finance will be the responsible coordinator for the entire audit undertakings
- c) The Finance Unit will provide all source and supporting documents, and make them readily accessible, including grant agreement & amendment documents, approval memorandums, implementation plans, procedural manuals, internal policy, personnel files, fixed asset register, work plans and budgets, etc.

4.3 Reporting processes:

After completion of the fieldwork the following reporting stages should be undertaken:

- a) All reviews must be discussed with and commented by ASARECA before issuance of draft reports;
- b) A draft report shall be produced and circulated for comments and discussions should be held jointly between the Head of Finance and other key personnel as designated by the Executive Director;
- c) A meeting will be held with the auditors at ASARECA offices. The purpose of the meeting is to discuss with all the open audit findings which will appear in the draft report, including a detailed listing, and reasons for all the questioned or queried matters. If needed, donor representatives may also attend this meeting in order to provide further information or clarification regarding issues raised during the audit.

4.4 Exit meeting:

- a) The auditor will hold an exit meeting at ASARECA offices or Virtually in the presence of representatives of donor partners in possible, who will provide further information or clarification regarding issues raised during the audit.
- a) The purpose of the meeting is to formally receive clarifications or responses on all the open audit findings which may appear in the draft report, including a detailed listing, and reasons for all the questioned or queried matters so that the audit report can properly address outstanding issues.

4.5 Final reporting:

- a) By mid-May, the auditor will issue and deliver a final report which will incorporate all comments and responses to the audit findings and recommendations.
- b) The auditor will also be required to present their reports for approval to the ASARECA Board of Directors (BoD) at its meeting around end May.

4.6 Outputs, Duration and Payments

The key outputs for the assignment include

- Audit plan/Inception Report
- Draft Report
- Final Report

No	ITEM	CONTENT	TIMING	PAYMENT
2	Draft Report	Draft financial report with draft management letter.	Within a 1 week after the end of fieldwork.	60% on acceptance and approval of draft report of the audited accounts.
3	Final Report	Final comprehensive financial report for Organization wide incorporating any comments by ASARECA on the draft report.	2 weeks after approval of the Final report	40% approval of the final audit report.

The consultant is encouraged to assess the appropriateness of the suggested milestones and comment upon realistic expectations, especially with regard to the allocated time frames for the activities in the comments to ToRs.

5 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 three separate files as follows:

- Audited financial statements and audit opinion on SoE; and
- Report on factual findings.

6 APPENDICES AND REFERENCES

Appendix 1: Grant agreements including schedule 1, 2, 3 and 4 for CAADP-XP4 and AICCRA

Appendix 2: IFAD Handbook on Financial Reporting and Auditing

Appendix 3: Financial and Administrative Framework Agreement ("FAFA") entered into between European Community and the United Nations on 29 April 2003, and to which IFAD acceded on 27 September 2004, as last amended on 1 January 2019.

Appendix 4: List of required supporting documents