**Auditor terms of**

**reference for Grants**

1. **Background**

DCA Livestock Programs (referred to henceforth as the Recipient or simply "R") is a Dutch foundation, developing and implementing veterinary and livestock projects in Afghanistan since 1988. In 1994, the organization was officially registered as DCA-VET at the Chamber of Commerce in The Netherlands. Recently, we have realized our scope has grown beyond just veterinary projects. That is why since 2017 the organization is registered as DCA Livestock Programs. In Afghanistan, registration took place in 2005 at the Ministry of Economy as an International Non-Government Organization under the name of Dutch Committee for Afghanistan (DCA). DCA Livestock Programs is helping the people of Afghanistan to improve their lives by enhancing the health and productivity of their livestock. For more information, please visit DCA website [www.dca-livestock.org](http://www.dca-livestock.org)

The Project Coverage Areas: 10 Provinces of Afghanistan

(All hard documents are kept in Kabul at DCA head office)

The Recipient hereby requests a (1) financial audit of the Statement of Expenditures (SOE) and (2) agreed procedures of project engagement for the reporting period of 07-Nov-2022 to 31-Dec-2023. The Recipient reported total expenditures of 1, 445, 000 USD during the reporting period.

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

• IFAD Handbook on Financial Reporting and Auditing

• Schedule 4 of the grant agreement – project-eligible expenditures

• List of required supporting documents, as listed at [www.ifad.org/grantforms](http://www.ifad.org/grantforms)

**2. Objectives and Standards**

**2.1. Objective:**

The objective of the audit is to enable the auditor to express an audit opinion(s) on whether the SOE (including additional disclosures) fairly presents the financial position of the project in all material respects and whether the funds received, and expenditures incurred for the relevant accounting period are in conformity with the International Financial Reporting Standards (IFRS). The auditor shall conduct this audit in accordance with the International Auditing Standards.

**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:

• 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

• To issue a report on factual findings that will support IFAD’s conclusions on the eligibility of the reported expenditure

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 on integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards.

**3. Scope of the audit and list of agreed-upon procedures**

**3.1. List of agreed-upon procedures covered by this TOR**

The auditor must perform the following checks in relation to the eligibility criteria applicable to the grant agreement. The auditor must therefore gain a good understanding of such requirements to perform the relevant checks only and properly apply the relevant eligibility requirements.

1. The Statement of Expenditures (SOEs) for the reporting period, as submitted to IFAD, comprises the project information (Dutch Committee for Afghanistan, Grant Number: 2000004309, currency of the grant agreement: USD, project title: Rural Poor Stimulus Facility – Afghanistan (the “Project”) and reporting period: 07-Nov-2022 to 31-Dec-2023), as well as whether the presentation of the expenditures is by expenditure category and/or project component, as set out in 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 SOEs submitted to IFAD.

c) The reported expenditures meet the project eligibility criteria as described in schedule 4 of the grant agreement and other eligibility requirements, including but not limited to the correct exchange rates used, where applicable; duties, taxes and charges included in the financial report cannot be recovered by the Recipient, and expenditure specifically considered ineligible by schedule 4 of the grant agreement is not included in the SOEs.

d) The expenditure is recorded in the accounting system of the Recipient or Subrecipients (third parties with subsidiary agreements such as implementing partners, subrecipients, 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, w](http://www.ifad.org/grantforms)hich shall be constantly available and stored in accordance with paragraph 3.11, schedule 3 of the Grant Agreement.

f) A representative sample of transactions is selected from the recipient’s list of expenditures to confirm eligibility for financing. The size of the sample will be based on the auditor’s professional judgement and underlying risks.

If additional checks are needed, describe the additional checks not included in the above standard list of agreed-upon procedures.

**4. Requirements for the Auditor**

**4.1. General Principles**

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

• The auditor is a member of a national accounting or auditing body or institution, which in turn is a member of the International Federation of Accountants (IFAC).

• The auditor is a member of a national accounting or auditing body or institution. Although this organization is not a member of the IFAC, the auditor commits to undertaking the engagement in accordance with the IFAC standards and ethics set out in these TORs.

• 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).

**4.2. Qualifications, Experience, and Team Composition**

**4.2.1. Qualification and Experience**

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

• Experience with audits in Afghanistan.

• Experience with audits of International NGOs

• 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.

* Fluency in any of the local languages (Dari or Pashto) and English.

* Good knowledge and experience in auditing IFAD-funded projects.

**4.2.2. Team composition**

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

**4.2.3. 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 be an ACCA member and 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 responsible for the specific contract and its execution and for the report issued on behalf of the firm. He/she has the proper authority from a professional, legal or regulatory body and is authorized to certify accounts under 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 six years of experience as a professional auditor or accountant in public audit practice, including relevant managerial experience 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 three years of 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 six months of professional experience in public audit practice.

**4.2.4. Curriculum Vitae (CVs)**

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

**5. Reporting**

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

a) The certified SOEs,

b) An audit opinion on the SOEs, within the scope outlined in section 3 of this TOR and Project financial statements.

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 include at a minimum:

• Background information on the project subject to engagement

• Overview of the transaction population and sample

• Brief descriptions of the testing process

• Summary of findings

• Details of findings, including the auditor’s recommendations. **Any ineligible expenditure identified should be clearly mentioned**.

• Include project management’s responses to the issues identified and its proposal to address those issues within a specific time period.

• Where applicable, follow up on the issues identified in the previous year's report on factual findings.

• List names of the audit team.

The audit report should provide sufficient detail on the nature and extent of the procedures performed by the auditor. The auditor is required to provide the audit package by no later than 4 weeks after signing engagement letter. Reports are to be delivered in English.

**5.1.** **Deliverables:**

After end of Audit, the Audit firm is required to submit.

• Draft Audit Report

• Final Audit Report (Three copies)

• Management Letter, specifying the material weakness, if any (One Copy)

**6. 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 on the SOEs; and

• Report on factual findings

**7. Appendices**

Appendix 1: IFAD Handbook on Financial Reporting and Auditing

Appendix 2: List of required supporting documents, as listed at [www.ifad.org/grantforms](http://www.ifad.org/grantforms)

Appendix 3: Financial and Administrative Framework Agreement (FAFA) at [www.undp.org/european-union/framework-cooperation](http://www.undp.org/european-union/framework-cooperation)