



TOR/13FFH/K19/AUD/AMM/TC/Audit/Grow-Economy

Agence française de Développement
5 Rue Roland-Barthes
75012 PARIS

TERMS OF REFERENCE FOR A FINANCIAL, INTERNAL CONTROL SYSTEM, PROCUREMENT AUDIT

GrowEconomy: Promote sustainable, inclusive and decent economic opportunities for Syrian refugees and vulnerable Jordanians in the agriculture sector

Agreement number(s):	AFD CJO 1131 01 N
Entity subject to the audit:	Acted
Country:	Jordan
Contracting Authority:	Agence Française de Développement (AFD)
Provisional audit contract conclusion date:	June 2027
Period covered:	Project duration: May 1, 2023 – April 30, 2026

Contents

Contents.....	2
1 Audit Context, Objectives and Scope.....	4
1.1 Context.....	4
1.1.1 Presentation of AFD.....	4
1.1.2 Presentation of the Project / Programme.....	4
1.1.3 Context of the Audit.....	4
1.2 Audit Objectives.....	7
1.3 Scope (or Extent) of the Audit.....	7
1.3.1 Contractual Conditions.....	7
1.3.2 Period(s) Covered.....	7
1.3.3 Financial and Volume Data	8
1.3.4 Restrictions to the Scope of Work.....	9
2 Audit Methodology and Reference Framework.....	9
2.1 Conduct of the Audit.....	9
2.1.1 Audit Stages.....	9
2.1.2 Audit Timetable	11
2.1.3 Engagement Logistics.....	12
2.1.4 Volume of Services	12
2.1.5 Report Structure and Content	12
2.2 Audit Methodology	13
2.2.1 Sample Determination.....	13
2.2.2 Eligibility Conditions	13
2.2.3 Determination of the Opinion	14
2.2.4 Documentation of Identified Misstatements and Weaknesses	14

2.3	Audit Procedures	14
2.3.1	Audit of the Internal Control System.....	14
2.3.2	Financial Statements Review and Verification of the Use of Allocated Funds.....	16
2.3.3	Audit of Direct Payments Made by AFD.....	Error! Bookmark not defined.
2.3.4	Procurement Audit.....	18
2.3.5	Technical Audit.....	Error! Bookmark not defined.
2.3.6	Follow-up of the Recommendations of Previous Audits	19
3	Professional obligations.....	20
3.1	Standards and ethics.....	20
3.1.1	Professional Standards to be Used	20
3.1.2	Ethics and Independence.....	20
3.2	Requirements for the Auditor	21
3.2.1	Auditor's Professional Affiliation	21
3.2.2	Audit Team Qualifications and Experience	21
3.2.3	Team Profiles	21
3.2.4	Curriculum Vitae (CVs).....	22
3.2.5	Composition of the Audit Team.....	23
4	Appendices	23
4.1	Key Project/Programme Information.....	23
4.2	Nomenclature of Findings and Misstatements.....	23
4.3	List of Expenditures and Findings (Model)	23
4.4	Audit Report Template.....	23
4.5	Letter of Representation (Model)	23
4.6	List of Awarded Contracts	Error! Bookmark not defined.
4.7	AFD Contract Award Checklist.....	23

1 Audit Context, Objectives and Scope

1.1 Context

1.1.1 Presentation of AFD

AFD is a central actor in France's development policy and supports States, companies, local authorities and NGOs. It builds synergies with them to catalyze, feed into and disseminate innovative solutions that benefit people. Through its network of 85 agencies, AFD operates in 108 countries, where it is currently financing, monitoring and supporting over 2,500 development projects.

1.1.2 Presentation of the Project / Programme

Additional information about the Project / Programme is available in Annex 4.1

Project Context: As the second-largest refugee-hosting country in the world, Jordan faces significant pressures on its economy and natural resources. It suffers from high unemployment and increased vulnerability, with nearly 16% of Jordanians and 78% of Syrian refugees living below the poverty line. Most male Syrian refugees work in the agricultural sector, while women engage in activities that can be carried out at home whenever possible. Large disparities in women's access to work remain, mainly due to social and cultural barriers, low financial incentives and lack of skills. A 2018 study by the International Labour Office highlighted the need for better working conditions and training on farms. While it contributes to 4% of Gross Domestic Product and 3.2% of employment, agriculture mobilizes about 53% of water consumption in Jordan. In response to these challenges, the country's agricultural policies have focused on sustainable management of water resources, food sovereignty and export. The government has taken steps to facilitate Syrian refugees' access to the formal labour market in this sector. Given their importance in creating economic opportunities for the most vulnerable, the Ministry of Labour also promotes the formalisation of micro-enterprises at home.

The 36-month project (May 1 2023 to April 30 2026), funded by AFD for a total of 8,500,00 EUR, entitled "GrowEconomy: Promote sustainable, inclusive and decent economic opportunities for Syrian refugees and vulnerable Jordanians in the agriculture sector" aims to contribute to the economic empowerment of Syrian refugees and vulnerable Jordanians working in the agriculture sector through improving working conditions and fostering increase and diversification of income sources to strengthen households' resilience to unpredictable shocks and stressors. The activities will take place in several governorates in northern Jordan, where the majority of Syrian refugees are located: Ajloun, Irbid, Balqa, Madaba, and Mafraq.

Objectives of the Project: The project aims to promote the economic empowerment of family farms and vulnerable Syrian and Jordanian agricultural workers through an integrated package of interventions aiming at increasing and diversifying their income. The development of agro-ecological practices and the promotion of decent working conditions are also part of the objectives of the project. This will be achieved through three Specific Objectives (SO): Improve productivity, and income generation through Agro-ecological modalities and income diversification among vulnerable small farmers in Ajloun, Irbid, Balqa, and Madaba governorates (SO1); Improve employability and access to the year-round income of agricultural laborers in Ajloun, Irbid, Balqa, and Madaba governorates (SO2); Promote decent working conditions and labor rights in the agricultural sector in Jordan (SO3).

Project Partners: The project brings together a consortium composed of ACTED (consortium lead), Action Against Hunger (ACF), Terre des hommes (Tdh), Phenix Centre for Sustainable Development (Phenix Center), the Royal Society for the Conservation of Nature (RSCN), ECO Consult and the National Agricultural Research Center (NARC).

The table below thus outlines the consortium and technical role of each partner under the project.

Organization	Consortium Role	Technical Role
ACTED	Consortium lead Geographic focal point in Ajloun, Balqa and Madaba	Business management, post-harvest, home-gardening, marketing, branding and packaging skill development; beneficiary grant management and agri-toolkit distributions.
Action Against Hunger	Geographic focal point in Irbid Gender specialist	Business management, post-harvest, home-gardening, marketing, branding and packaging skill development; beneficiary grant management and agri-toolkit distributions.
RSCN	Technical Implementing Partner	Nature-based and sustainable income generating activities, particularly eco-tourism and artisans works; and access to niche marketplaces, such as tourist sites/shops.
ECO Consult	Technical Implementing Partner	Market integration throughout agricultural value chains, particularly with post-harvest actors, medium to large farms and private sector business (i.e. hotels, restaurants, local shops, etc.).
Phenix	Technical Implementing Partner	Decent work; labour rights; civil advocacy; and policy dialogue
TdH	Technical Implementing Partner	Child protection; civil advocacy; and policy dialogue
NARC	Technical advisor	Agricultural specialists, particularly agro-ecology, permaculture, climate-adaptive agriculture, food processing; and market access through national bazaars and marketplaces

Consortium Management and Structure: The consortium will be led by ACTED under the management of the consortium secretariat. The consortium management is designed in a three-tiered approach: Strategic Coordination, Operations Management and Day-to-Day Implementation. The different tiers of the governance structure and the different consortium units provide a space for decision making and technical inputs through direct and clear communication pathways.

- **Strategic Coordination:** The consortium's strategic planning and leadership pathways, carried out through the Steering Committee. Comprised of Country Directors/Organization Heads of each partner, as well as ACTED's Consortium Coordinator, the Steering Committee provides overall supervision and guidance on the management of the project.

- **Operations Management:** Operational management is comprised of the Consortium Management Unit (CMU) and Technical Working Groups (TWGs) under the functional oversight of the Consortium Secretariat. ACTED Consortium Coordinator will meet regularly with both the CMU and TWGs focal points, as well as facilitate coordinate between CMU and TWGs, to ensure a strong and effective communication flow with and between all partners, and thereby ensure a harmonized approach across the four governorates.
 - o The CMU is chaired by ACTED's Consortium Coordinator and comprised of Project Managers from each organization, and oversees implementation to ensure consistent and coordinate decision making on the implementation across partners. The CMU aims to facilitate direction of the project, while pooling resources between agencies. This will ensure coherence of the action across target governorates by facilitating learnings and sharing between consortium members, and joint discussions/selection on best approaches.
 - o On the other hand, TWGs provide a forum for establishing technical standards and consistent guidance on approaches/strategies for all partners. This includes developing and agreeing upon specific tools and standards to be used by field teams, as well as analyzing challenges and good practices to capitalize on field lessons learnt and feed into the CMU. Under the project, three TWGs will be established: 1) Economic Development (technical components under Specific Objectives one and two); 2) Decent Work and Child Protection (technical components under Specific Objective three); and 3) Monitoring and Evaluation (M&E)¹.
- **Day-to-Day Implementation:** Each partners' Project Managers will oversee day-to-day implementation of their activities through their field teams.

1.1.3 Context of the Audit

The financial review of projects ("financial review") is to be carried out by an independent auditor ("the auditor"), having the required professional competence and experience, and in accordance with generally accepted auditing standards.

These Terms of Reference ("TOR") define the mandate of the auditor in connection with the financial review of projects/programs of cooperation/implementing partner ("Acted"), financed by AFD. The financial review is based on the professional requirements and guidelines governing the professional work to be undertaken by an auditor in relation to an agreed-upon procedures engagement.

In planning, conducting and reporting on the financial review, the auditor shall be given due considerations to the following auditing and other standards promulgated by international professional bodies:

ISA - International Standards on Auditing,
IFAC – International Federation of Accountants

¹ Monitoring and evaluation of the project will be facilitated through the M&E TWG. This TWG will be led by ACTED's Consortium Coordinator and Consortium Project Development/M&E Officer. The TWG will ensure standardized data sources, collection, analysis and management practices among agencies. ACTED, through the Consortium and ME staff (at national and field level) will oversee data analysis for baseline/midline/endline survey assessment, track, verify and reporting on indicators, ensure implementation of Complaints and Response Mechanism (CRM) by partners/through ACTED's CRM, and compile/share lessons learned with CMU and TWGs.

In addition, the relevant standards of the local accounting profession as well as the local legislation on accounting and reporting in force in the country in which the financial review is carried out need to be taken into consideration by the auditor.

audit following a specific event, suspicion of fraud or corruption (with prior validation from DCO to preserve investigations), etc.

These TOR will form an integral part of the contract between the Contracting Authority (CA) and the auditor.

1.2 Audit Objectives

The objectives of this audit are to enable the auditor to express a professional opinion on whether:

- the financial statements** of the Project / Programme present fairly, in all material aspects, the expenditure actually incurred, and revenue actually received for the Project / Programme for the period covered by the audit;
- the funds allocated to the Project / Programme have, in all material aspects, been used in conformity with the applicable contractual conditions; the expenditure is compliant with the rules of sound financial management, assessed notably in the light of eligibility criteria (see Annex 4.2 – Nomenclature of Findings and Misstatements); The REP (or the agency) must systematically escalate to DCO auditor’s findings falling into Section 9 “Irregularities” of Annex 4.2.**
- the internal control system** set up and operated by the Entity for the purpose of managing risks to the achievement of the objectives of the Project, was suitably designed and operated effectively in the period covered by the audit;
- contracts** have been awarded in accordance with applicable rules and in accordance with the principles of economy, efficiency, transparency and fairness, **and in compliance with AML/CFT due diligence requirements;**

The auditor should also provide recommendations on the various aspects of the audit.

1.3 Scope (or Extent) of the Audit

1.3.1 Contractual Conditions

- Financing Convention AFD-Acted (No AFD CJO 1131 01 N);
- Sub-Grant Agreements signed with Project implement partners;
- Letter of approval from the Ministry of Planning and International Cooperation (MOPIC);
- Procurement Guidelines for AFD-financed contracts (including a Statement of Integrity, eligibility and environmental and social responsibility);
- Procurement Plan and ANO For first time procurement;
- AFD ANO 2023-027 on simplified procurement guidelines and thresholds for GrowEconomy; AFD ANO 2023-045 on budget amendment and forecast;
- Auditing framework for the GrowEconomy project financed by AFD and led by Acted (CJO 1131 01 N).
- AFD non-objections to the adjustments made to the financing convention.

1.3.2 Period(s) Covered

This TOR will cover the entire project period of May 1, 2023 - April 30, 2026.

1.3.3 Financial and Volume Data²

Financial and volume data for the period covered by the financial component of the audit is provided below:

- Budget of the project: 8,500,000 Euro
 - Number of bank accounts opened for the Project/Programme and entities authorised to operate them:
 - Regarding overall cash management, kindly note that to implement efficiently its project, Acted HQ is using a cash pooling management system as follows:
 - Cash received from donors Cash instalments for all countries are centralized in Paris at HQ level, except for very specific cases;
 - Cash transferred for operational purpose the cash needs are expressed by Acted field missions on a monthly basis, based on the data received from each operation area in the countries of intervention. These cash needs are based on staff costs, running costs, contract payment schedule and any other identified needs for a period of 30 days; they are detailed by project and funding line. HQ will then consolidate these data and distribute cash accordingly.
 - The signatories to the bank accounts for the audit period will be shared at the start of the audit.
- 1.
- Regarding specific mission level bank accounts, kindly note the bank signatories listed below. An updated list will be provided in an updated ToR at the start of the audited year: BALZAC: BBCXJOD and BBDAJOD
 - Number of expenses for the audited period will be updated once the final financial report is submitted to the Funding Agency and before the start of the audit.
 - Number of supporting documents corresponding to these expenses will be updated once the final financial report is submitted to the Funding Agency and before the start of the audit.
 - Data for the audit of the internal control system included is provided below:
 - The staff allocated to the Project/Programme can be found under Annex 4.2. This annex will be updated and shared with this TOR at the start of the audit mission.
 - Number of administrative sites involved in the Project/Programme is 12, one in the capital and one in the field for some partners.
 - Data for the period covered by the audit, as well as on the number and scope of contracts is provided below:

² All relevant details under this section will be shared at the start of the audit mission.

- Procurement audit: A detailed list of contracts (including the budgeted amount for contracts) will be sent to auditors at the start of the audit mission as part of Annex 4.6.

1.3.4 Restrictions to the Scope of Work

The auditor reports to the Contracting Authority as soon as possible about any limitations in the scope of work he/she may find prior to or during the audit.

He/she informs the Entity of any attempt to restrict the scope of the audit, or any lack of cooperation on the part of the Entity. The auditor consults with the Contracting Authority on what action may be required, whether or how the audit can be continued and whether changes in the audit scope or the timetable are necessary.

In the event of security problems arising, the auditor and the Contracting Authority agree on the actions to be taken and adapt the scope of work accordingly.

2 Audit Methodology and Reference Framework

2.1 Conduct of the Audit

2.1.1 Audit Stages

a) Engagement preparation

The auditor should contact the Entity as soon as possible (and no later than 10 working days) after the audit has been formally announced to the Entity, to prepare the engagement and agree on its timetable, notably for field work.

He /she should ensure the availability:

- of the final financial statements and of the original supporting documents or photocopies of the originals certified by the Entity and shall address the Entity a first request for documents (elements relating to the financial audit and to the audit of the internal control system);
- of the contracts documentation (both for procurement and technical aspects) and their location. Based on the list of expenses and contracts annexed to the TOR, he / she will address the Entity a first request for documents.

b) Preparatory meeting with the Contracting Authority

The purpose of this meeting is to exchange views on audit planning and field work, as well as on the timetable for preparing the audit report and to clarify the points still outstanding (in particular actions to be taken following the first request for documents).

c) Opening meeting with the Project / Programme

An opening meeting with the Entity is organised to address the following topics: planning of the audit fieldwork, logistics and security (premises, vehicles, equipment, etc.), documents availability, key staff availability and initial meetings set up and, if applicable, designation of a focal point at the Entity level.

The auditor should inform the Contracting Authority of this meeting, in which its representatives may take part.

d) Execution of the audit engagement

The auditor performs the procedures detailed in section 2.3 of these TOR. He uses a working method as participatory as possible, to obtain as much evidence items and supporting documentation as possible during the engagement and prior to the production of the draft report.

e) Aide-mémoire and restitution meeting

At the end of the engagement, the auditor prepares an aide-mémoire and is required to organise a closing meeting with the Entity. Representatives of the Contracting Authority may take part in this meeting, aimed at reviewing the aide-mémoire and obtaining from the Entity its observations on the auditor's findings and recommendations. If necessary, the Entity is invited to provide additional documents and/or information to be taken into consideration in the draft report.

f) Draft Report to be sent to the Contracting Authority

The draft report must be prepared within a period of 20 working days after the closing meeting. Submission follows the following stages:

DR sent to AFD and then to the Entity	
The Draft Report (DR) is sent to AFD for comments and a preliminary list of findings is sent to the Entity pending the AFD's response	
The auditor incorporates AFD comments and then revises his/her recommendations/findings, where appropriate	
The DR is sent to the Entity for comments	
The auditor integrates the Entity's comments and prepares the final report	
The Draft Report (DR) is sent to AFD for comments	

g) Comments on the draft report by the Contracting Authority/AFD and Entity

AFD has 15 working days to communicate its comments to the auditor, who integrates them into the draft report in 5 working days and communicates the new version to both AFD and the Entity.

The Entity has 15 working days to communicate additional supporting documentation (scanned) to the auditor. If, at the end of that period, the comments and supporting documentation have not been sent, the auditor then informs AFD, which contacts the Entity to agree on a solution. Any additional period granted by AFD is confirmed in writing to the auditor and the Entity.

h) Final report The final report must be submitted by the auditor within 20 working days following receipt of comments and observations, and of any additional supporting documentation.

2.1.2 Audit Timetable

a) Annual Audits

The indicative start date for the mission is November 1, 2026, start-up must occur within **20** working days after official notification.

The period between the audit closing meeting and submission of the final audit report to the Contracting Authority must not exceed **80** working days.

The maximum duration of the mission is set at 140 working days.

A detailed timetable to be completed by the auditor for the mission:

	M1				M2				M3				M4				M5				M6				M7			
	W 1	W 2	W 3	W 4	W 1	W 2	W 3	W 4	W 1	W 2	W 3	W 4	W 1	W 2	W 3	W 4	W 1	W 2	W 3	W 4	W 1	W 2	W 3	W 4	W 1	W 2	W 3	W 4
Engagement preparation	x	x	x	x																								
Sample					x	x	x	x																				
Preparatory meeting with the Contracting Authority									x																			
Opening meeting with the Entity									x																			
Fieldwork									x	x	x	x																
Aide-mémoire and restitution meeting												x																
Draft report submission to AFD and preliminary list of findings to the Entity (20 days after mission)													x	x	x	x												
AFD observations on Draft Report (15 days after report is received)																	x	x	x									
The auditor incorporates AFD comments and revises the list of findings and recommendations																			x	x								
Entity observations on Draft Report (15 days after report is received)																					x	x	x					
Submission of final report to AFD and the Entity (20 days after receiving comments and possible additional supporting documentation)																									x	x	x	x

Engagement Logistics

The following are the resources that will be made available to the auditor:

- Space within Acted's Office in Amman for the audit mission. The address is as follows: 2 Adly Commercial Centre, 6 Layla Al Akhliya St. (4th Floor), Shumaysani, Amman, Jordan. The area will be isolated and air-conditioned, with access to stationary equipment, printers, furniture, and key-card access to the office space.

2.1.3 Volume of Services

The estimated overall volume of services in man-days for the entire audit team is 20 days. The table below details the volumes of services by expert:

	Key experts				Non-key experts		
	Partner	Team Leader	Supervisor	Senior Auditor No. 1	Assistant Auditor No. 1	Assistant Auditor No. 2	TOTAL
Min. No. days	5	15	20	20	20	20	100
Max. No. days	10	20	20	20	20	20	110

2.1.4 Report Structure and Content

The use of the audit report template, provided to the auditor, is mandatory. It should be presented in English. Findings and misstatements will be presented in the audit report according to the nomenclature provided in Annex 4.2. and financial findings should be summarised based on the following typology: eligible expenditure, eligible with misstatements, ineligible, unaudited.

The auditor sends a preliminary list of findings with the Entity prior to the finalization of the draft report between AFD and the Entity.

The auditor sends the draft report electronically, in Word and Excel for the annexes, to the AFD and then to the Entity.

He /she then sends to the Contracting Authority/AFD two original paper versions on the auditor's letterhead and an electronic version (in Word and Excel for the annexes) of the final report along with a cover note. In the cover note, he / she should confirm that two original paper versions of the final audit report have been sent to the Entity. The word "draft" or "final" should appear clearly on each version. The final report is signed by the partner in charge of the engagement and its execution.

The auditor must also send an electronic version (in PDF format) of the signed and dated final report to the Entity's focal point.

Specific case of a verification of supporting documentation for renewal of advances:

The auditor is not required to issue a report with opinion, since one will be later prepared, at the time of the annual audit. However, the auditor should report on his / her work, using the following sections of the audit report template (see Annex 4.4 of the TOR):

- Section 3.1: Summary of financial findings table, with the only modification consisting in replacing “Draft Report” and “Final Report” with “Result of the audit” ;
- Section 4.1: financial findings, presented one by one;
- Annex 4.3 of the TOR: an Excel file documenting the auditor’s verifications, which will be adapted by removing columns for received observations and final findings.

2.2 Audit Methodology

2.2.1 Sample Determination

The auditor may use sampling based on his / her risk assessment.

Sample determination may be reviewed for each financial year audited, following the TOR update.

- a) Financial audit relating to the use of allocated funds

To ensure that the tests results are representative, the auditor audits at least 65% (in amount) of the total expenditure stated in the financial report. In case of financial findings greater than 10% of the total amount of audited expenditure, the testing rate should be increased to 85%. 50% of each budget line, and 10% of each sub-line, should be audited.

- b) Audit of the internal control system

The various financial and administrative management processes of the Project / Programme assessed as part of the internal control system audit should be subject to compliance testing.

The auditor defines the extent of compliance testing based on the risks identified during the mission preparation and then, while evaluating the internal control system (see section 2.3.1).

- c) Procurement Audit

- Option No. 2: all contracts greater than or equal to 15,000 EUR³

2.2.2 Eligibility Conditions

The auditor performs tests and controls of expenditure eligibility by ensuring:

- its compliance:
 - with the financing (of funds or of project management) agreement, and with the procedure's manual and contracts,
 - with the annual activity program for which AFD gave a Non-Objection Letter (NOL),
 - with procurement legislation, and AFD procurement guidelines and other local regulations (e.g. for per diem),
 - with technical standards and standards of professional practice for the performance of contracts;
- the existence:
 - of supporting documents by type of expenditure provided for by the procedures manual,

³ Value based on AFD’s direct purchase.

- of the required documentation for procurement procedures and contracts' technical execution;
- The probative value of supporting documentation (original supporting documentation, compliance with the chronology of dates, compliance with mandatory information requirements, affixing of stamps and signatures) ;
- that the Project / Programme has ensured to obtain the most satisfactory quality/price ratio;
- that the expenditure/contracts have been incurred/executed by the Entity during the Project / Programme implementation period defined in the financing;
- that expenditure is adequately recorded in the Entity's accounts; ^[1]_{SEP}
- that expenditure does not include any ineligible costs (e.g. certain taxes or VAT).

2.2.3 Determination of the Opinion

The possible audit opinions for financial audits and internal control system audits are an unqualified opinion, a qualified opinion, an adverse opinion and a disclaimer of opinion. The report template provided to the auditor contains guidance for the formulation of the opinions.

Auditors are now required, when expressing an opinion on the current year's financial statements, to consider the possible effect of a modified opinion (qualified opinion, adverse opinion and disclaimer of opinion) from a previous year that did not result in an appropriate amendment or solution (ISA standard 710). This avoids the accumulation of unresolved findings.

2.2.4 Documentation of Identified Misstatements and Weaknesses

The Excel file attached in Annex 4.3 should be used by the auditor to document procedures performed on audited expenditure and contracts and summarise identified misstatements. Other Excel files may be sent to auditors upon request to facilitate the application of audit procedures. Annex 4.3 should be attached to the auditor's report.

Material misstatements detailed in the report must be documented in the auditor's work file electronically or in hard copy and kept for a period of 5 years after approval of the final report.

2.3 Audit Procedures

2.3.1 Audit of the Internal Control System

The auditor adapts the scope of his review of the design and operation of the internal control system based upon his prior knowledge of the Entity (for multiannual audits).

a) Documents analysis

The auditor should particularly examine:

- the financing agreements(s), agreements and protocols with partners, contracts, technical and financial implementation reports, activity programs and any other existing document;
- the organisational set up for administrative, technical and financial management, and its reliability and adequacy in terms of procedures and available human and material resources.

b) Review of the internal control system

The auditor should verify the reliability and adequacy of the internal control system's organisation, its actual design and operating effectiveness, in particular with regard to:

The organisation:

- definition of tasks and distribution of responsibilities, in particular for commitment and authorisation of expenditure, certification of services rendered and payment; separation of incompatible or conflicting tasks;

The procedures in place:

- existence of accurate and documented procedures for expenditure justification;
- opening of separate cash accounts based on the origin of funds, as well as implementation of cash control procedures;
- Compliance with applicable procedures for supplier selection, and consultant and service provider recruitment (tender documents, tender or candidate evaluation records and selection minutes) ;

Archiving, accountability and, as such:

- organisation, filing and securing of financial papers and documents;
- regular and timely production of financial statements and financial and technical implementation reports, etc.

Specific controls, including:

- setup and effective operation of control methods to comply with agreements on anti-money laundering and combatting the financing of terrorism, including completion of due diligence to ensure compliance with economic and financial sanctions regulations;
- detection of double financing of expenditure by multiple donors;
- existence of operational monitoring and control structures.

The auditor may use the *ICS Review Module* file, available on the AFD website, as a framework to perform such work.

c) Risk assessment

The previous stage allows the auditor to assess the risks distinctly for each source of information and based on **7 criteria: completeness, effectiveness, evaluation, allocation, rights, obligations and information**.

The auditor should assess the main risks to the achievement of the objectives of the Project/Programme, including risks financing provided to the Project not being used in conformity with the applicable Contractual Conditions and the risk of error, irregularities and fraud with regard to Project / Programme financing.

The auditor should also assess whether the design of the internal control system sufficiently mitigates those risks and whether it operates effectively.

d) Obtaining evidence and control testing

The auditor uses his understanding of the internal control system and risks to assess the robustness of controls and test their operational effectiveness, depending on the objective of the audit.

Tests of controls should concentrate on internal control areas and key controls that:

- are appropriate within the context of the Project / Programme, and
- prevent and/or allow to detect and correct individual errors or undesired events, such as:
 - the total or partial non-achievement of the Project / Programme objectives,
 - the non-reliability of the Project/Programme financial and technical implementation reports and/or financial statements,
 - the fact that funds allocated to the Project/Programme have not been used in accordance with the financing agreement conditions,
 - the occurrence of fraud and/or irregularities.

Detailed controls are proposed in the *ICS Review Module* file, available on the AFD website.

2.3.2 Financial Statements Review and Verification of the Use of Allocated Funds

a) Verification of financial statements

The auditor performs the necessary procedures to verify that resources received and used by the Project / Programme are effectively reflected in complete, sincere and correctly drawn up financial statements. As such, he/she:

Ensures that the Project/Programme financial statements have been prepared in accordance with the requirements set out in the financing as well as in the Project/Programme (e.g. accrual or cash-based accounting) ;

- ensures that the financial statements present fairly, in all material aspects, the actual expenditure incurred, and revenue received for the Project/Programme for the period subject to the audit, in conformity with the applicable contractual conditions;
- ensures that the financial statements are consistent with other accounting documents including the trial balance and books of accounts;
- ensures that the financial statements are consistent with the technical and financial implementation reports submitted to AFD and any other financial or statutory reports prepared within the context of the Project / Programme;
- reviews adjusting entries made during the financial statements closing process;
- reconciles the financial statements with the cash situation and/or bank accounts, including by obtaining direct confirmation from the banks managing the accounts;
- verifies, if applicable, the accuracy of exchange rates used for monetary conversions, as well as their compliance with the financing agreement conditions;
- verifies, if applicable, the procedures used to control funds sent to other entities involved in activities implementation.

The auditor may elect to request written statements in a letter of representation (A template, from ISA 580, is provided in Annex 4.4; the auditor will verify that ISA 580 has not altered this template) signed by member(s) of the Management who are primarily responsible for the Entity's management (ISA 580). The purpose of this approach is to obtain evidence that the Management acknowledges its responsibility for: the financial report's reliability, adherence to the financing agreement conditions, compliance with

regulations and best practices for procurement and execution of contracts, and the organisation of an appropriate internal control system.

b) Verification of the use of funds

The objective of these procedures is to ensure that:

- the funds allocated to the Project / Programme by AFD for the period subject to the audit have, in all material aspects, been used in conformity with the applicable contractual conditions;
- the statement of assets presents adequately (number, description and value of assets) and exhaustively the assets acquired for the Project / Programme for the period subject to the audit, in conformity with the contractual conditions and information contained in the financial report.

The auditor's work covers in particular:

- the compliance verification with accounting principles and specific rules;
- the verification of expenditure's compliance with activities agreed upon in the financing, activity programme as well as their consistency with technical and financial performance reports;
- the verification that expenditure has been implemented during the implementation period of the audited Project / Programme and is supported by accurate, regular and sincere supporting documentation;
- the verification of statements of expenditure: expenditure authorisations, documentation of expenditure statements, compliance and validity of such statements.

Detailed controls are proposed in the *Financial Module* file, available on the AFD website.

c) Verification of the use of funds prior to renewal of advances

In the case of renewal of advances, the auditor performs the procedures required for an annual audit (see previous paragraph) with regard to expenditure compliance with agreed upon activities, expenditure implementation during the Project / Programme implementation period and its regular and sincere justification, as well as compliance of the period's statements of expenditure.

The auditor should in addition examine the following key points:

- attainment of the advance absorption rate defined in the financing agreement to enable full or partial renewal;
- correction by the Project / Programme, over the audited period, of expenditure previously invalidated for a prior period.

d) Analytical and budgetary procedures

The auditor performs an analytical review of expenditure to verify whether:

- The budget presented in the technical and financial performance reports corresponds to the budget in the financing and/or approved by the steering committee and/or having received a non-objection notification from AFD (authenticity and approval of the initial budget by lines and sub-lines);
- the expenditure reported in the technical and financial performance reports were foreseen in the budget lines and sub-lines;

- budgetary amendments have been validated by the steering committee and/or have received a non-objection notification from AFD and/or have been formalised in an addendum to the financing agreement;
- the Project / Programme absorption rate is consistent with the activities implementation schedule. The auditor examines discrepancies and obtains explanations about over- or under-execution in the budget.

2.3.3 Procurement Audit

The auditor examines and assesses the following aspects:

- a) Review of the procurement system (actors, regulation and procedures)

the functioning of procurement bodies and actors;

 - The mechanisms for preventing and detecting irregularities and fraud (collusion, cover bidding and agreements between undertakings) ;
 - deadlines compliance with applicable rules and the Project's / Programme's specific provisions;
 - the compliance and reliability of the documentation filing and archiving system.
- b) Requirement definition
 - Contracts compliance with the procurement plan and budgets (implementation calendar and budget envelopes);
 - for mutual agreement contracts or direct agreement contracts, that the grounds invoked are in compliance with the regulations and that there is no abuse of law in such circumstances.
- c) Competitive tender process (tender dossier phase, call for tenders)
 - the advertising methods, deadlines for presentation of bids and organisation for bids submission;
 - the choice of type of consultation/selection procedure;
- d) Evaluation and award
 - the evaluation methods used, their consistency and compliance with the criteria defined in the tender dossier, as well as their relevance: this assessment will be made on administrative, technical and financial aspects;
 - the consistency between tender analysis reports, tender award minutes, award notifications and awarded contracts;
 - the cases of leniency towards companies during bid evaluations and respect of the principle of fairness;
 - the award of the contract according to the best or lowest bidder rule;
 - the obtaining of reasonable economic conditions, by comparing unit prices with those of similar contracts;
 - cases of breach of the tender process, characterised by agreements between undertakings;

- cases of contract splitting.
- e) Contract management
- the compliance of clauses in the initial contract;
 - the existence of guarantees and their probative value;
 - the consistency between technical requirements in the tender dossiers and those attached to the signed contracts;
 - Changes over the course of contracts, ensuring that they are supported by service orders issued by authorised persons (project management, supervision missions, etc.) ;
 - the legality of addenda to initial contracts in terms of value, technical appropriateness and compliance with ceilings provided for in the regulations.
 - The presence of the signed integrity statement.
- f) Contracts subject to an AFD NOL
- For contracts subject to an AFD NOL, the auditor is asked to verify that the necessary NOL have been requested and delivered. If not, the same audit procedures should be performed as for contracts not subject to an AFD NOL.
- g) AML/CFT due diligence
- the performance of AML/CFT (Anti-Money Laundering and Combating the Financing of Terrorism) due diligence by the Entity prior to contract(s) award, in particular verification of the absence of contracts beneficiary(ies) or subcontractors from the financial sanctions' lists adopted by the United Nations, European Union and France. Furthermore, the auditor should ensure that the results and ensuing consequences of the search carried out by the Entity have been given due consideration⁴.

2.3.4 Follow-up of the Recommendations of Previous Audits

The auditor should review the recommendations contained in previous audit reports, assess their degree of implementation and re-assess their priority level, if required. If it is found that these recommendations have not been applied, the auditor tries to identify the underlying causes and proposes solutions for adjustment purposes.

⁴ In the event where an auditor identifies a case of non-compliance with these obligations by the Entity, the REP (or agency) must declare an operational incident and immediately refer to DCO.

3 Professional obligations

3.1 Standards and ethics

3.1.1 Professional Standards to be Used

The auditor should take into consideration the various guidelines applicable to the production of financial audit reports. With regard to the application of ISA Standards, special attention should be given to the following:

- **Fraud and Corruption:** in accordance with **ISA 240** (Consideration of the risk of fraud and error in an audit of financial statements), it is important to identify and assess the risks of fraud, obtain or provide sufficient audit evidence for the analysis of these risks, and deal with identified or suspected fraud appropriately.
- **Laws and Regulations:** when developing the audit approach and executing the audit procedures, the Project/Programme compliance with laws and regulations that may significantly affect financial statements should be assessed, as required by **ISA 250** (Consideration of the risk of misstatement in an audit of financial statements resulting from non-compliance with legal and regulatory texts).
- **Governance:** communication with the Project / Programme Management members in charge of governance on major audit matters in compliance with **ISA 260** (Communication on the mission with those charged with Governance).
- **Risks:** to reduce audit risks to a relatively low level, appropriate audit procedures in response to the risks of misstatements identified after the assessment of the internal control system should be implemented, in accordance with **ISA 330** (Audit procedures implemented by the auditor after his risk assessment).

In accordance with **ISAE 3000**, the auditor should prepare audit documentation that provides:

- sufficient and appropriate evidence of the work serving as a basis for his audit report; and
- evidence that the audit has been planned and performed according to ISA standards and in compliance with applicable legislative and regulatory requirements.

Audit documentation is defined as the presentation of the audit procedures performed, relevant evidence collected and conclusions that the auditor has reached.

Audit files consist in one or more folders or other means of archiving, in a physical or electronic form, containing documentation relating to a specific mission.

3.1.2 Ethics and Independence

The auditor should comply with the IFAC Code of Ethics for Professional Accountants, developed and issued by IFAC's International Ethics Standards Board for Accountants (IESBA).

This Code establishes fundamental ethical principles for auditors with regard to integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards.

3.2 Requirements for the Auditor

3.2.1 Auditor's Professional Affiliation

By agreeing these TOR, the auditor confirms that he/she meets 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); or
- the auditor is a member of a national accounting or auditing body or institution; although this organisation is not a member of IFAC, the auditor commits him/herself to undertake this engagement in accordance with the IFAC standards and ethics set out in these TOR.

3.2.2 Audit Team Qualifications and Experience

The Auditor will employ staff with appropriate professional qualifications and suitable experience with IFAC standards, in particular International Standards on Auditing and with experience in auditing financial information of entities comparable in size and complexity to the Entity. In addition, the audit team as whole should have:

- h) experience with audits of development aid projects and programmes funded by national and/or international institutions and/or donors;
- i) experience with procurement audits;
- sufficient knowledge of relevant laws, regulations and rules in the country would be an asset; this includes, but is not limited to taxation, social security and labour regulations, accounting and accounting information systems, procurement;
- excellent knowledge of English and Arabic (or other official language of the country);
- audit experience in the Project/Programme sector.

3.2.3 Team Profiles

3.2.3.1 Key Experts

Experts who are to perform an important role in the mission are referred to as “Key Experts”.

Category 1 – (Audit partner)

A Category 1 expert (Audit partner) should be a partner or other person in a position similar to that of a partner and be a highly qualified expert with relevant professional qualifications, and assuming or having assumed team leader and supervisor responsibilities in financial audit practice.

He should be a member of a national or international accounting or auditing body or institution. He must have at least 15 years of experience as a professional auditor or accountant, in the field of donor-funded projects / programmes audit.

The audit partner is the person responsible for the specific contract and its performance as well as for the report that is issued on behalf of the firm.

Category 2 – (e.g. Team Leader)

Team Leader(s) should be qualified expert(s) with a relevant university degree or professional qualification in accounting and auditing, procurement, works auditing and supervision. They must have at least 12 years of experience as a professional auditor in the field of donor-funded projects / programmes audit. They must demonstrate successful experience in managing audit teams.

Category 3 – (e.g. Supervisor)

Supervisors should be qualified experts with a university degree or relevant professional qualification in accounting and auditing, procurement, works auditing and supervision and have at least 8 years of experience as a professional auditor in the field of donor-funded projects / programmes audit.

Category 4 – (e.g. Senior Auditor)

Senior auditors should be qualified experts with a university degree or relevant professional qualification in accounting and auditing, procurement, works auditing and supervision and have at least 5 years of experience as a professional auditor in the field of donor-funded projects / programmes audit.

3.2.3.2 Non-Key Experts

Category 5 – (e.g. assistant auditor)

Assistant auditors must have a university degree in accounting and auditing, procurement, works auditing and have at least 1 year of professional experience as a professional auditor in the field of donor-funded projects / programmes audit.

3.2.3.3 Support Staff and Technical Support

The auditor is free to propose additional support (administrative and/or technical) in his/her bid, the cost of which should then be incorporated in the expert fees.

3.2.4 Curriculum Vitae (CVs)

The auditor provides the CVs of all experts (key and non-key) proposed as team members. The CVs include information on the types of audits performed by the team members, demonstrating their abilities and capacity to perform the audit, as well as detailed information regarding any relevant experience. In particular, the auditor should mention the proven number of years or number of clients with international organizations and/or institutional donors.

Further, for the auditor offer to be considered for selection, the auditor has shared complete and timely set of documentation, as advertised in the request for proposal.

3.2.5 Composition of the Audit Team

	Cat 1: Partner	Cat 2: Team Leader	Cat 3: Supervisor	Cat 4: Senior Auditor	Cat 5: Assistant Auditor	TOTAL
Min. No. of auditors	1	1	1	1	2	6
Other personnel (technical or PM)						
TOTAL	1	1	1	1	2	6

Appendices

3.3 Key Project/Programme Information

3.4 Nomenclature of Findings and Misstatements

3.5 List of Expenditures and Findings (Model)

3.6 Audit Report Template

3.7 Letter of Representation (Model)

3.8 AFD Contract Award Checklist