**TERMS OF REFERENCE FOR**

**THE SPECIAL REVIEW AUDIT AND FACTUAL FINDINGS**

**OF**

**Mari culture Enterprise Development Project (MEDEP)**

1. **Background**

* The International Fund for Agricultural Development (IFAD) aids the Borrower/Recipient in the form of Grant.
* A Financing Grant Agreement(s) has been signed between IFAD and the Borrower Ministry of Finance and Treasury - refer annex 1.
* IFAD requires the Borrower/Recipient to appoint an independent auditor to audit the accounts related to the project in accordance with the IFAD Handbook on Financial Reporting and Auditing.
* The reporting entity isMinistry of Fisheries and Agriculture (MOFA).
* The auditor conducts its audit in terms of International Standards on Auditing (ISA)

1. **Objectives**

The objective of this audit is to enable the Auditor to express an opinion and recommendation on the status of the contract with Barakathul Bahurul Pvt Ltd. and the status of the liabilities of the beneficiaries from the credit line with the Bank of Maldives

1. **The responsibilities of the Implementing Agency ( MOFA/PIU)**
   1. **General**

* Provide the documents which are reconcilable to its records and accounts.
* Provide the auditor with access to all legal documents, correspondence with consultants, contractors and other persons or firms engaged by the project and any other information associated with the project and deemed necessary by the auditor.
* Ensure that the accounting policies are consistently applied and disclosed.
* Ensure that appropriate internal controls are implemented to prevent misstatements and susceptibility to fraud.
* Ensure compliance with all relevant laws and regulations that pertain to the entity as well as the financing agreement between the Recipient and IFAD.

1. **The responsibilities of the auditor**
2. ***General Principles***

By agreeing these terms, the Auditor confirms that:

* The firm is independent from the project, its staff and activities, in accordance with international best practices.;
* Maintain professional scepticism throughout the audit
* The Auditor is suitably qualified and a member of a professional body affiliated with the International Federation of Accountants (IFAC);
* The auditor can conduct the audit in line with auditing standards acceptable to IFAD
* The firm can assign an audit team to the audit which has the necessary competence and skills;
* The firm has a proven track record in conducting audits of a similar nature and complexity;

1. ***Management letter***

The *management letter* is an integral part of the audit package which documents accounting and internal control issues identified by auditors. The management letter should:

* Outline the auditor’s recommendations to resolve issues highlighted on the special audit for both Barakathul Bahurul Pvt Ltd and the Bank of Maldives
* Include project management's responses to the identified control issues and their proposal to address the issues identified within a specific time period.

1. ***Reporting***

The Auditor is required to deliver a report which includes:

* Report on factual findings, considering the scope of agreed upon procedures as outlined in 5
* A management letter, including information as outlined in 4.2;

The audit report should sufficiently detail the nature and extent of the procedures performed by the auditor.

The Auditor is required to:

* Provide the audit package within 2 weeks period
* Provide the audit package in English.
* Deliver the audit packages in 2 separate files[[1]](#footnote-1):
* File 1: the auditors’ report
* File 2: management letter

1. **Scope of the financial audit**

In performing the audit, the auditor shall, at a minimum:

* Design and conduct audit procedures in response to weaknesses identified in the internal controls relating to the contract with Barakathul Bahurul Pvt Ltd and Fund Management Agreement with Bank of Maldives, to obtain audit evidence that both parties have performed in accordance with the agreed terms and free from material misstatements in accordance with the applicable accounting framework;
* Verify that agreed terms in contract with Barakathul Bahurul Pvt Ltd, are completed or not, provide the audit opinion and recovery figures
* Verify that agreed terms in contract with Bank of Maldives, are completed or not, provide the audit opinion and recovery figures

1. **Scope of the agreed upon procedures**

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

1. **Annexures**

Annex1: Contract and amendment of Barakathul Bahurul Pvt Ltd

Annex2: Contract and amendment Fund Management Agreement with Bank of Maldives

Annex3: Other supporting documents

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1. This requirement will assist IFAD in meeting its disclosure requirements as outlined in Section 7. Public Disclosure. The management letter is not subject to disclosure and should be provided in a separate file. [↑](#footnote-ref-1)