

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

Ministry of Agriculture and Animal Welfare

Male', Republic of Maldives



Ministry of Agriculture and Animal Welfare

Terms of Reference for Consulting Services

for

Consultancy Service for Internal Audit of Maldives Agribusiness
Programme

Ref No: MAP/CS/2024/11

Submission date: 26th May 2024

Terms of Reference (TOR)

Consultancy Service for Internal Audit of Maldives Agribusiness Programme

1. Background on project

The Government of the Republic of Maldives through the Ministry of Agriculture and Animal Welfare (MoAAW) is implementing Maldives Agribusiness Programme (MAP) financed by the International Fund for Agricultural Development (IFAD). The project will be managed by the Project Implementation Unit (PIU) set up within the MoAAW. The project will be implemented in accordance with the Project Implementation Manual (PIM), and the Project's Financial Management Manual all of which are consistent with the IFAD's guidelines and procedures on procurement and financial management.

The goal of the Programme is to sustainably increase the incomes, food security and nutrition status of small farmers households. The development objective of the Programme is the strengthened enabling environment for sustainable and climate-resilient agriculture which shall be achieved through reformed policies, strengthened institutions and services, enhanced agricultural technologies, and better access to financing and markets for small farmer households, with an over-arching goal of gender transformation.

The finance will be managed and accounted in a separate bank accounts held in Maldives Monetary Authority (MMA). The PIU would be carrying out the final accounting of the project.

2. Overall objectives

The objective of the Internal Audit is to assess:

- 2.1. Reliability of Financial Management System, financial data and report at all tiers of operation;
- 2.2. Adequacy and effectiveness of the accounting, financial and operational controls;
- 2.3. Internal Control Systems: completeness, written instructions, effective implementation and frequency of review and updating;
- 2.4. Level of compliance with the established policies, plans and procedures
- 2.5. Interim Unaudited Financial Report (IUFR): completeness, timeliness, occurrence, measurement, recording, regularity including eligibility and propriety; and
- 2.6. Assets: Completeness, existence, recording, safeguard and utilization for the purpose intended.

3. Objectives of the assignment

The objective of the internal audit engagement is to provide independent, objective assurance and consulting activity designed to add value and improve the project's operations. It is intended to help the project accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the risk management, controls, and governance processes.

The objective is achieved by examining, evaluating, and reporting on the adequacy of the project's control environment via a number of individual audit assignments each year. Based on this work, advice and recommendations will be made where necessary, as to how procedures can be improved to manage the risks faced in achieving project objectives.

- 3.1. Internal audit shall be an independent and objective activity for providing assurance and consulting services designed to add value and improve the activity of the project.
- 3.2. Internal audit shall assist the project in the achievement of its goal by applying a systematic and disciplined approach to evaluate and improve effectiveness of risk management- both procurement and financial aspects, control and management process.
- 3.3. Internal audit shall be performed in accordance with the International Standards for Internal Auditing, the Code of Ethics of internal auditor and in compliance with the following principles:
 - 3.3.1. Independence and objectivity;
 - 3.3.2. Competence and due care;
 - 3.3.3. Integrity and confidentiality

4. Scope of work

The internal audit will be carried out in accordance with International Standards for the Professional Practice of Internal Auditing issued by IIA and will include such tests and controls as the auditor considers necessary under the circumstances to ensure the transparency accountability of the financial management system.

- 4.1. In conducting the audit, special attention should be given to verify:
 - 4.1.1. That, all project funds have been used in accordance with the conditions of the relevant financing agreements, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.

- 4.1.2. That, goods & services financed have been procured in accordance with relevant financing agreements and as per the IFAD's guidelines for procurement of goods, works & services, and the Public Financial Regulations (PFR) of the Maldives.
- 4.1.3. That, all expenditures incurred is as per the approved work plan and procurement plan.
- 4.1.4. That, the Financial Statements (quarterly & annual) submitted by PIU reflect the actual, true & fair expenditures incurred.
- 4.1.5. That, all necessary supporting documents such as records, vouchers, bids, bidding documents, etc. and books of accounts have been kept in respect of all project procurements & expenditures.
- 4.1.6. That, clear linkages exist between the books of accounts / IUFRRs maintained by PIU and the reports submitted to the IFAD / GOM.
- 4.1.7. That, the assets sanctioned and created under the Project have been actually created, that proper record in the form of an Asset Register showing details of cost, identification location and custodian is maintained and that the Physical Verification of the asset is being carried out and they have been put to use for the purpose for which they were created. Auditors shall verify a sample of assets procured and created under the project including assets provided to community groups.
- 4.1.8. That, the IUFRRs give a true and fair view of the financial situation of the project for the quarter under audit and of the sources and expenditures for that quarter.
- 4.2. The audit will be carried out on a regular basis and the auditor will conduct interim reviews semi-annually ending 30th June and 31st December.
- 4.3. The interim review would focus on:
 - 4.3.1. Operation of the financial management system and internal controls;
 - 4.3.2. Physical verification of selected assets acquired & created
 - 4.3.3. Monthly / Quarterly/ Annual reports prepared from the financial records.
- 4.4. The auditor is required to audit all IUFRRs used as a basis for the submission of withdrawal applications to IFAD for reimbursement of project expenditures. These expenditures should be carefully examined for the project eligibility with relevant financing agreements, and with reference to the Project Appraisal Document (PAD), Procurement Plan approved by the IFAD and Project Cost Tables approved by IFAD. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed by IFAD, these should be separately noted and listed by the auditor.
- 4.5. Whether the reimbursement claims submitted during the year for withdrawals from the IFAD Credit (made on the basis of IUFRRs), together with the procedures and internal

controls involved in their preparation, can be relied upon to support the related withdrawals.

4.6. Audit Report: The audit report should inter alia include:

- 4.6.1. Comments & observations on the accounting records, systems and controls that were examined during the course of audit;
- 4.6.2. Identify specific deficiencies and areas of weakness in systems & controls and make recommendations for their improvement;
- 4.6.3. Report on the degree of compliance of each of the financial covenants on the financing agreements and give comments, if any, on internal and external matters affecting such compliance;
- 4.6.4. Communicate matters that have emerged during the audit which might have a significant impact on the implementation of the Project; and
- 4.6.5. Comments on the procurement related observations by the Internal Auditors;
- 4.6.6. Comments on the ineligible expenditures identified, if any, and what measures the PIU has taken to refund them to IFAD;
- 4.6.7. Communicate to the Project Director's (PD) attention any other matter that the auditor considers pertinent.

5. Reports and schedule of deliverables

Reporting by the consultant shall be done as per details given hereunder:

- 5.1. Draft Report: The Auditor will provide a draft report to the PIU within 30 days of the end of audit period, highlighting findings during the interim audit, to enable the project management to take timely action. The auditors should submit a draft copy of their report to the PIU before finalization.
- 5.2. Final semi-annually Report (3 copies): The auditors should submit the final copy of their report to the PIU within 7 days after receiving comments from the PIU.
- 5.3. The auditor should submit soft copies of the audit report in pdf format to the PIU.
- 5.4. The auditor shall complete the assignment as per the time schedule to be mentioned in the agreement. A penalty clause will be included in the agreement to safeguard PIU interest.
- 5.5. The semi-annual review will be carried out based on the Annual Audit Plan. The auditor in consultation with the PIU will prepare an annual audit plan. The auditor will also make Compliance Review at PIU.

6. Consultant's qualifications and experience

Key expert 1: Partner / Audit manager

Qualifications and skills

Qualified Chartered Accountant

Specific professional experience

Minimum 5 years' experience as a Partner / Manager with expertise in the area of Internal Audit planning and reporting.

Key expert 2: Audit Team Leader

Qualifications and skills

Qualified Chartered Accountant

Specific professional experience

Minimum 3 years' experience in Internal Audit with the ability to lead a Team.

Team Member

Any cost for Team Members shall be included in the consultant's financial offer as needed.

Only the CVs for key experts should be submitted with the proposal.

7. Location and period of execution

The Auditors will be appointed for the audit period starting from January 2024 to September 2025.

8. Project coordination

The Consultant will be supervised by the Project Director and all the communication regarding the Consultancy will be carried between, Project Director, Financial Management Specialist and the Consultant.

9. Services and facilities to be provided by client

- 9.1. The auditor will be given access to all legal documents, financial management manual, operations manual, government orders/ circulars, IFAD Procurement Guidelines, Monthly Financial Statements, Project Financial Statements, IUFRRs and any other information associated with the project and as deemed necessary by the auditor.

- 9.2. The auditors will also be given access to all the assets selected for physical verification by the auditors.
- 9.3. No services other than those specifically mentioned in this TOR shall be extended to the auditor. The auditors shall make their own conveyance arrangements.
- 9.4. No expenditure on traveling/ boarding/ lodging expenses will be borne by the PIU separately and the consultant shall include such costs in his proposal.

10. Services and facilities to be provided by the consultant

- 10.1. The Consultant shall carry out all the Services using own material, labour and equipment. And the logistics of labour, equipment and tools shall be arranged by the Consultant.
- 10.2. The Consultant shall ensure that their personnel always carry themselves in good behavior and maintain a cordial friendly atmosphere with other personnel including employees of MoAAW, MAP and other organizations.
- 10.3. The Consultant shall provide professional, objective, and impartial advice, at all times holding the client's interest's paramount, strictly avoiding conflicts with other assignments or its own corporate interests, and acting without any consideration for future work. The Consultant has an obligation to disclose to the client any situation of actual or potential conflict that impacts its capacity to serve the best interest of the client.