

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: 23rd June 2024

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 / IUFs 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 IUFs 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 IUFs 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 IUFs), 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.

