



## **Terms of Reference**

### **The External Auditor of the ASEAN Farmers' Organizations Support Programme**

#### **1. ABOUT AFOSP**

ASEAN Farmers' Organisations Support Programme (AFOSP) is an organisation funded by European Union (EU) and International Fund for Agriculture Development (IFAD) focusing on the improvement of smallholder farmers' living standard and food security. It aims to establish a new dimension for Farmers' Organisations (FOs) across this region with the ability to strengthen and influence policy as well as corporate development processes related to it.

ASEAN Foundation is tasked with developing the key link between rural FOs in ASEAN region through policy dialogue processes. All stakeholders need to actively engage themselves within the ASEAN Blueprints particularly in ASEAN Socio-Cultural Community pillar.

To achieve the goals of the establishment, AFOSP emphasizes two key programmatic areas which are the Medium-Term Cooperation Programme with Farmers' Organisations in Asia and the Pacific (MTCP2) and Farmers Fighting Poverty (FFP). MTCP2 focuses on organizational development, strengthening processes and policy advocacy while FFP works/focuses on strengthening and empowering the development of FOs in their involvement in the supply chain through advisory services.

The following are the terms of reference ('ToR') on which ASEAN Foundation (AF) agrees to engage 'the Auditor' to perform an Audit and to report in connection with the Agreement between AF and the Asian Farmers' Association for Sustainable Rural Development (AFA) Inc. The AF has signed the Agreement with AFA that finances the services of the ASEAN Farmers' Organizations Support Programme (AFOSP). AFA is not a party to this engagement.

#### **2. OBJECTIVE OF THE AUDIT**

The objective of the audit is to:

- a. Express an independent opinion on the financial statements of AFOSP for the year ended 1 January – 31 December 2019
- b. Report any deficiencies or weaknesses on the effectiveness of internal control over compliance with requirements that could have financial effect on the financial statements as well as control over financial reporting.



### 3. RESPONSIBILITIES OF THE PARTIES TO THE ENGAGEMENT

**“The ASEAN Foundation”** refers to the entity that executes the project and that has signed the Agreement with Asian Farmers’ Association for Sustainable Rural Development (AFA) Inc.

- The ASEAN Foundation (AF) is responsible for providing the Financial Statements for the activities and services financed by AFA and for ensuring that these Financial Statements can be properly reconciled to the AFA’s records and accounts in respect of these services.
- The AF accepts that the ability of the Auditor to perform the procedures required by this engagement effectively depends upon the AF providing full and free access to its staff and records and accounts.
- The AF shall provide the auditors with all the necessary documentation to perform the assignment properly; in particular, the following information shall be provided to the auditors before the beginning of the assignment:
  - Project Agreement;
  - Annual Progress Report;
  - Project Implementation Manual;
  - Financial Management Manual;
  - Organizational charts along with names and titles of senior managers;
  - Names and qualifications of officers responsible for financial management, accounting and internal audit;
  - Description of information technology facilities and computer systems in use; and copies of the minutes of negotiations, project appraisal document, and annual work programme and budget, if it is available.

**‘The Auditor’** refers to the Auditor who is responsible for performing the agreed-upon procedures as specified in these ToR, and for submitting a report of factual findings to the AF.

**‘The Auditor’** shall provide:

- A separate opinion on Project Financial Statements (PFS)

Minimum content of the PFS:

- Yearly and cumulative statements of sources and application of AFOSP fund, which should disclose separately from AF Operation Fund, other donors funds and beneficiaries funds;
- Yearly and cumulative SOEs by withdrawal application and category of expenditures; reconciliation of the SA.
- A reconciliation between the amounts shown as received by the project and those shown as being disbursed by AFA should be attached as an annex to the PFS. As part of that reconciliation the auditor will indicate the procedure used for disbursement (SA funds, letters of credit, special commitments, reimbursement or direct payment) and indicate whether the expenditure is fully documented or uses the Summary of Expenditures format.
- Cumulative status of funds by category from 2015 to 2020
- Special/Designated account statement-reconciliation
- A statement of comparison between actual expenditures and budget estimates



➤ Notes accompanying the Financial statements

- **A separate opinion on the use of the Special/Designated Account (SA/DA);** The auditor is also required to audit the activities of the SA/DA associated with the project including the initial advance, replenishments, interest that may accrue on the outstanding balances, and the year-end balances. The auditor must form an opinion as to the degree of compliance with AFA procedures and the balance of the SA/DA at year end. The audit should examine: (i) the eligibility of withdrawals from the SA/DA during the period under review; (ii) the operation of the SA/DA in accordance with the relevant financing agreement; (iii) the adequacy of internal controls within the project appropriate for this disbursement mechanism; and (iv) the use of correct exchange rate(s) to convert local currency expenditures to United States dollars.
- **A separate opinion on Withdrawal Application Statement / Statement of expenditures / Summary of Expenditures (SOEs);** the audit will include a review of SOEs used as the basis for submitting withdrawal applications. The auditor will carry out tests and reviews as necessary and relevant to the circumstances. SOE expenditures will be carefully compared for eligibility with relevant financial agreements, and the disbursement letter, and with reference to the project appraisal report for guidance when necessary. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed, auditors will note these separately. A schedule listing individual SOEs withdrawal applications by reference number and amount should be attached to the PFS. The total withdrawals under the SOE procedure should be part of the overall reconciliation of AFA disbursements described above. The auditor's opinion should deal with the adequacy of the procedures used by the project for preparing SOEs and should include a statement that amounts withdrawn from the project account on the basis of such SOEs were used for the purposes intended under the agreement.
- **A separate management letter addressing the adequacy of the accounting and internal control systems of the Programme, including compliance with IFAD's Procurement Guidelines and such other matters as AFA may notify the AF to include in the audit.**

The auditor is requested to:

- Comment on economy, efficiency and effectiveness in the use of project resources;
- Comment on achievement of planned project results;
- Comment on legal and financial obligations and commitments of the project and the extent of compliance or non-compliance thereof;
- Comment on systems and procedures such as improvements in accounting, information technology or computer systems, and operations that may be under



development, on which the auditor's comments are necessary to ensure effective controls;

- Comment on other activities on which an auditor may consider it appropriate to report

- **Auditors shall certify:**

- Whether the PFS are drawn up in conformity with accepted accounting standards (IFRS, IPSAS, or national financial standards)
- Whether the PFS are accurate and are drawn up from the books of accounts maintained by the Project.
- Whether the provisions of the Project Agreement are adhered to.
- Whether Procurement has been undertaken by the Project in accordance with applicable procurement procedures and IFAD's Procurement Guidelines.
- carry out a physical verification of any significant assets purchased and confirm their existence and use for project purposes.
- Whether the project has an effective system of financial supervision or internal audit at all levels.
- Whether the expenditure claimed through SOEs are properly approved, classified and supported by adequate documentation.
- The status of the following:
  - Bank reconciliation
  - Data storage conditions of records and documents in their original form and effective electronic filing and archiving system
- The Auditor is a member of the Institute of Registered Auditors of the Host Country which in turn is a member of the International Federation of Accountants (IFAC).

#### **4. SUBJECT OF THE ENGAGEMENT**

The subject of this engagement are the financial statements dated 31 December 2019 in connection with the Agreement for the period covering *1 January 2017 to 31 December 2019*. The information, both financial and non-financial, which is subject to verification by the Auditor, is all information which makes it possible to verify that the expenditures claimed by the AF in Financial statements have occurred, and are accurate and eligible. Annex 1 to these ToR contains an overview of key information about the Agreement and the services concerned.



## **5. REASON FOR THE ENGAGEMENT**

The AF is required to submit to AFA an Audit report produced by an external auditor.

### **5.1 Engagement Type and Objective**

This constitutes an engagement to perform specific agreed-upon procedures following the IFAD Guidelines on Project Audits provided to the Auditors by the AF in Annex 2 of these TOR. The objective of this audit is for the Auditor to verify that the expenditures claimed by the AF in the financial statements for the services covered by the Agreement have occurred ('reality'), are accurate ('exact') and eligible and to submit to the AFA, Inc. a report of factual findings with regard to the agreed-upon procedures performed. Eligibility means that expenditure have been incurred in accordance with the terms and conditions of the Agreement.

### **5.2 Scope of Work**

5.2.1 The Auditor shall undertake this engagement in accordance with these Terms of Reference and:

in accordance with the International Standard on Audit (ISA) to perform Agreed-upon Procedures regarding Financial Information as promulgated by the IFAC;

in compliance with the Code of Ethics for Professional Accountants issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, IFAD requires that the auditor also complies with the independence requirements of the Code of Ethics for Professional Accountants;

in accordance with International Standards on Auditing and in line with IFAD's Guidelines for Project Audits.

#### **5.2.2 The Terms and Conditions of the Agreement**

The Auditor verifies that the funds provided by the Agreement were spent in accordance with the terms and conditions of the Agreement.

#### **5.2.3 Planning, procedures, documentation and evidence**

The Auditor should plan the work so that effective audit can be performed. For this purpose he performs the procedures specified the IFAD Guidelines on Project Audits and he uses the evidence obtained from these procedures as the basis for the report of factual findings. The Auditor should document matters which are important in providing evidence to support the report of factual findings, and evidence that the work was carried out in accordance with ISA and these ToR.

#### **5.2.4 Reporting**

The report on this audit should describe the purpose and the agreed-upon procedures of the engagement in sufficient detail in order to enable the AF and AFA to understand the nature and extent of the procedures performed by the Auditor. Use of the financial and audit reporting as included in Attachment 9 (check) of the Disbursement Letter is compulsory. The audit report should be in English formatted in A4 size and the number of copies submitted are five (5) hard copies and one (1) electronic copy/pdf version.



## **6. TIME TABLE AND PAYMENT**

The timetable plan for the audit could be as follows:

- a. Submission of offer and award to selected auditor: 31 January – 14 February 2020
- b. Submission of financial statements to the external auditor & audit field: 17 February – 31 March 2020
- c. Completion of external audit: 1 April 2020

Upon receipt of invoices and bank information from the external auditor, payment will be made as follows:

- a. First Billing, after commencement of the audit field 50%
- b. Final Billing, after submission to the ASEAN Foundation 50%

## **7. AUDITOR'S EXPERIENCE AND QUALIFICATIONS**

- a. The audit firm should be registered and have a license from a recognised national or regional professional accountancy body;
- b. The audit firm should have relevant experience in accounting and auditing similar organizations; and

## **8. DEADLINE AND SUBMISSION OF OFFERS**

*Deadline:*

Submission of offers is Friday, 31 January 2020

*Submission:*

Offers are to be submitted electronically to

The Procurement Committee, ASEAN Foundation

Jl Sam Ratulangi No 2, Menteng, Jakarta

Phone: +62 21 3192 4833

Email to: [procurement@aseanfoundation.org](mailto:procurement@aseanfoundation.org), CC: [ninik.rahayu@aseanfoundation.org](mailto:ninik.rahayu@aseanfoundation.org),  
[amy.utomo@aseanfoundation.org](mailto:amy.utomo@aseanfoundation.org)



### **Annex 1: Information about the Subject of the Audit**

[The table below should be completed by the Project Coordination Unit and be attached as Annex 1 to the Terms of Reference for use by the Auditor.]

Information about the Subject of the Audit	
Reference number and date of the Agreement	
Service agreement title	
Country	
Consultant	
Legal basis for the Agreement	
Start date of the Agreement	
End date of the Agreement	
Maximum agreement value	
Total amount of the invoice and invoice date	
Total amount received to date by the Service Provider from Contracting Authority	