 

**Rural Economic Growth and Employment Project (REGEP)**

**Consultant**

**TERM OF REFERENCE (TOR)**

**Assignment title: Lot 1: External Audit (**Fiscal year 2021) and

**Lot 2: Agreed-upon Procedures Audit (**1/1/2017 to 20/2/2022)

**Starting date:** April 2022

**Total level of effort:** **Lot 1**: 2 weeks

**Lot 2**: 3 weeks

**Procurement method:** Quality and Cost Based Selection (Firms)

1. **Background**

The Rural Economic Growth and Employment Project (REGEP) is a Nine years project start from

(2015) with a total financing of around USD 39.17 million, of which US $ 23.34 million

Is financed by an International Fund for Agricultural Development (IFAD) loan and US $ 1.2 million is financed by an IFAD grant. The remaining finance is provided by the Government, beneficiaries and domestic microfinance banks. The project aims to support the strengthening of the horticulture value chains, focusing on high water value crops, while also boosting access to rural financial services and promoting entrepreneurship in the project area. The project development objective is to containment and reduction of poverty, vulnerability and inequality in rural areas through creation of productive employment and income generating opportunities for the rural poor and vulnerable, especially youth and women. The project is implemented in Ten (10) governorates, namely Jerash, Ajloun, Mafraq, Balqa , Irbid ,Karak ,Maa`n ,Tafeleh , Zarqaa and Madaba.

The Jordan Enterprise Development Corporation (JEDCO) is the leading implantation agency. A Project Management and Coordination Unit (PMCU) is being established at JEDCO Headquarters in Amman, under the overall supervision of the JEDCO CEO. The PMCU is responsible for the overall management, coordination and monitoring of project implementation.

**Value chain and enterprise development component (component 1)** of REGEP aims to integrate small-farmers into the value chain. It aims to do this in the following ways: activating small farmer participation in value chains; building technical capacity; improving business capacity; encouraging small farmers to form groups and associations; improving value chain efficiency; and developing value chain efficiency through increased exports of high-value vegetables and fruits, improving post-harvest handling, quality standards and certification. This will help create jobs in rural areas. The ‘value chain and enterprise development’ component is managed by JEDCO, in cooperation with NARC, JEPA, JRF and JSMO. This component focus on the following crops: grapes, pomegranates, apples, olives, tomatoes, baby cucumber, okra, and medicinal and aromatic plants (oregano and sage).

**Component 1** consists of three subcomponents: (i) Mobilization, Capacity Building and Enterprise Development (focusing on women and youth people) (ii) Value Chain Upgrading (iii) Knowledge Management, Learning and Policy Support. These sub components are implemented through a number of activities and the consultant will Support the activity for Value Chain Upgrading and Business Model Innovation – Grants window.

REGEP has supported agribusiness projects through 600 grants (100 grants were awarded for the 2017 and 150 grants for the 2018, 248 grants for 2019 and 102 for the 2020 beneficiaries), where JRF being the main implementing partner of the grants window.

**Rural Finance component (**component 2) this component aims to increase access to a range of appropriate financial products for the members of the target group, producers associations and rural MSMEs. In addition to providing finance the project aims to demonstrate the viability of the rural microfinance business and establish appropriate and scalable products and delivery mechanisms which enable lower cost access to finance, especially for agricultural production and post-harvest activities.

Component 2 consist of two subcomponents: (i) Rural Finance Fund, (ii) Knowledge Management, learning and Policy Support. The consultant will support this component in lending Microfinance and Small and Medium Enterprise

**LOT 1: financial Statement Audit**

1. **The accounting period to be covered by the audit:**

The auditor work should cover the transactions of fiscal year FY2021: from 1/1/2021 to 31/12/2021

1. **Objective of the audit**

To enable the auditors to express their professional opinion(s) on the financial position of the project at the end of the period covered by the audit, on the funds received and on the expenditures incurred.

1. **Scope of the audit:**

The audit will be carried out in accordance with International Standards on Auditing (ISA) and IFAD Audit Guidelines. The auditors are to express an opinion on the accounting principles used for the preparation of the financial statements and on if they were consistently applied.

Special attention will be placed on as to whether:

• IFAD and ALL external financing, including counterpart funds, have been used in accordance with the financing agreements, with due attention to economy, efficiency, and only for the purposes for which financing was provided:

IFAD Financing: **IFAD Loan of SDR 7 330 000 (200000078100) (L-2000003441)**

**IFAD Grant of SDR 340 000 (200000078200) (G-2000003442)**

Project: **Rural Economic Growth and Employment Project**

• Goods and services have been procured in accordance with the financing agreement, where the amount of expenditures of 2021 Around 1.55 Million USD, and the number of contract is 5 main contracts and 1 rural finance agreement.

• All supporting documentation, records and accounts have been maintained in respect of all project activities, (including the expenditures by SOEs)

• The Special Account has been used and maintained in conformity with the financing agreement.

• Assets procured from project funds exist, are properly safeguarded and there is a verifiable ownership by the implementing agency or beneficiaries in line with the financing agreement

• National laws have been complied with and that the financial and accounting procedures approved for the project (i.e. PIM) were followed and used.

In complying with the International Standards on Auditing, the auditors are expected to pay attention to: Fraud and Corruption (ISA 240), Laws and Regulations (ISA250), Governance (ISA260) and Risks (ISA 330)

* Audit includes partners
* Jordan River Foundation JRF
* National Agricultural Research Center NARC
* Jordanian Association of Producers and Exporters of Vegetables and Fruits JEPA
* . Standards and Metrology Institution JSMO
* Central Bank of Jordan JCB

1. **Project Financial Statements (PFSs)**

The auditors should verify that the project PFSs have been prepared in accordance with the agreed accounting standards (IPSAS Cash Basis) and give a true and fair view of the financial position of the project and of the resources and expenditures for the audited period.

The PFS should include:

1. A statement of Receipts and Payments (expenditures) disclosing separately IFAD’s funds, counterpart funds (government), other donor funds and beneficiaries’ funds with opening and closing balance of bank accounts during audited period.
2. A statement of Receipts and Payments (expenditures) and budget comparison disclosing separately IFAD’s funds, counterpart funds (government), other donor funds and beneficiaries’ funds with opening and closing balance of bank accounts since start of the project.
3. A summary of the activities and the reconciliation of the designated Account
4. A schedule listing individual Withdrawal Applications (see para 1-D above)
5. A summary of the accounting policies and other explanatory notes.
6. A reconciliation of the amounts shown as received by the project and those shown as disbursed by IFAD

Additionally, it is suggested inclusion of:

1. A summary of assets acquired or procured to date with project funds by category
2. **Statements of Expenditures (SOEs)**

In addition to the audit of the PFSs, the auditors will include a review of SOEs used as a basis for submission of withdrawal applications to IFAD. The auditors will carry such tests and reviews as considered necessary under the circumstances in order to verify that SOEs issued during the period were prepared in conformity with the financing agreement, were eligible for financing and were in agreement with the accounting books. Annexed to the PFS, should be a schedule listing individual was providing details relative to amounts submitted for reimbursement and amount reimbursed and by disbursement method (SOEs, direct payment, special commitment, reimbursement to the Special account, reimbursement of refinanced expenditures). Where ineligible expenditures are identified, as having been included in withdrawal applications, these should be separately noted in the audit report. Additionally the auditors should verify reimbursement of ineligible expenditures (if any) to the Special Account.

The total withdrawals under SOE procedure should be part of the overall reconciliation with IFAD records indicated above.

The auditors will issue a separate audit opinion on the SOEs indicating the extent to which the SOE procedure can be relied upon as basis for loan disbursements under the project.

1. **Management Letter**

The auditors will provide a management letter in which they will:

1. Give comments and observations on the accounting records, systems and controls that were examined during the course of the audit
2. Identify specific deficiencies or areas of weakness in systems and controls, and make recommendations for their improvement
3. Report on the degree of compliance of each of the financial covenants in the financing agreement and give comments, if any, on internal and external matters affecting such compliance
4. Communicate matters that have come to their attention during the audit which might have a significant impact on the implementation of the project
5. Give comments on previous audits ‘recommendations that have not been satisfactorily implemented
6. Economy, efficiency and effectiveness in the use of resources
7. Achievement of the planned results of the project
8. Bring to the recipient attention any other matter that the auditors consider pertinent, including ineligible expenditures Ideally, the management letter should also include responses from the implementing agency to the issues highlighted by the auditors.

**LOT 2: Agreed-upon Procedures Audit of Records, Systems and Controls. / Rural Finance Components**

**Note: VIII , IX and X are related to LOT 2**

1. **Background**

**Rural Finance component (**component 2) this component aims to increase access to a range of appropriate financial products for the members of the target group, producers associations and rural MSMEs. In addition to providing finance the project aims to demonstrate the viability of the rural microfinance business and establish appropriate and scalable products and delivery mechanisms which enable lower cost access to finance, especially for agricultural production and post-harvest activities.

**Total value (1986000) Number of transaction (30 contracts (1493000) and 372 contracts (493000)**

1. **The period to be covered by the audit:**

The auditor work should cover the transactions of fiscal: from 1/1/2017 to 20/02/2022.

1. **Objective and scope of the audit**

The objective of the audit is to permit the auditor to express his professional opinion on the records, systems and controls of rural finance activities with regard to check the technical and managerial performance under these activities which is managed by REGEP.

The audit will be carried out in accordance with International Standards on Auditing as published by the International Auditing and Assurance Standards Board of the International Federation of Accountants, with special reference to ISRS 4400 International Standard on Related Services (ISRS) 4400, “Engagements to Perform Agreed-upon Procedures Regarding Financial Information” and will include such tests and controls as the auditor considers necessary. The auditor will prepare a report. The report should be issued by the auditor in English language and should be received by REGEP no later than 28 April 2022.

Report of the performance assessment. In this report, the auditor will

• Give comments and observations on the Data records, systems and controls examined during the course of the audit,

• Identify specific deficiencies and areas of weakness in systems and controls of REGEP that have come to the auditor's attention, especially with regard to:

1. Agreements with the partners involved in implementing the program and the items contained therein, such as:

* Ensure that the loan repayment period has been set with correct criteria and equally for all farmers and that the grace period is appropriate for the farmer and his conditions.
* Ensure that there are no additional commissions on the loan, as the amount received is as agreed upon.

1. Implementation of IFAD and REGEP criteria’s in executing project activities, such as ensure that:

* The area in which the farmer resides is one of the targeted areas
* Agricultural projects are not financed with a value greater than what is allowed.
* The loan amount is paid in Jordanian Dinars
* The existence of a unified mechanism to identify small and large projects that are worthy of funding.

1. Implementation of the activities specified in the rural finance component and their conformity with the agreed plans.
2. Matching the financial allocations for lending with the actual implementation and the relevant criteria.
3. Matching the financial allocations with the activities specified in the rural finance component and reviewing the relevant controls.
4. Mechanisms for follow-up and evaluation of program implementation and Partner’s performance.

And make recommendations for their improvement,

• Report on actions taken by the management of REGEP to make improvements with respect to deficiencies and areas of weakness reported in the past,

• Bring to REGEP attention any other matters that the auditor considers pertinent. In addition, the Auditor shall comment on the following questions:

Assessment of the Control System:

• Is there evidence for high risks regarding correct use of funds? Assessment of Project control system/ planning system: Is the quality of the Project control system/ planning system sufficient to retrospectively prove the correct use of funds? In particular the following questions occur:

• Is the system of documentation sufficient? •

Is it ensured that reporting is effective at sufficient level of detail, e.g.

1. Adequacy and comprehensiveness of reporting data.
2. Diversity of reports in line with the criteria’s to be followed.
3. Presence of all documentation related to the project.
4. Extracting all the necessary indicators and conforming to the standards approved by the project

Assessment of general regulations/ controls of operations: In particular, the following should be checked:

• Are important operating procedures regulated in writing?

* Is there a separation of tasks to avoid conflicts of interest (operation, approval, administration, and accounting)?

1. **Available Information**

The auditors should have access to all legal documents, correspondences, and any other information associated with the project and deemed necessary by the auditors. The auditors will also obtain confirmation of amounts disbursed and outstanding at IFAD and the CPM can assist in obtaining this confirmations.

Available information should include copies of the relevant project appraisal/design report, financing agreement, supervision mission reports and progress reports. It is highly desirable that the auditors become familiar with “IFAD Operational Procedures for Project Audits”, with “IFAD Guidelines for Project Audits”, with “IFAD Procurement Guidelines” and with “IFAD Loan and Grant Administration Manual”. These documents can be provided by the CPM or alternatively through web: [www.ifad.org/pub/basic](http://www.ifad.org/pub/basic).

1. **Engagement Letter**

The selected auditors should be asked to prepare an engagement letter. The form and content of the audit engagement letter should generally include reference to the matters addressed in this document. In addition, it should state the management’s responsibility for the preparation of the financial statements, the amount of audit fees, and the timetable for providing the audit reports which should be no later than 1st March 2024.

1. **Payment Schedule:**

One payment (100%) payment upon the delivery and acceptance of Audit report. The payment will only be made when the report is considered as accepted by IFAD.

Note: to have an idea of the scope of work, contracted auditor may look **IFAD Guidelines on Project Audits:** [**http://tnkpsc.com/Image/IFAD%20Guidelines%20on%20Project%20Audits.pdf**](http://tnkpsc.com/Image/IFAD%20Guidelines%20on%20Project%20Audits.pdf)

1. **Public Disclosure**

The engagement letter should clearly stipulate that the external auditors will not restrict the public disclosure of their audit opinion and audited financial statements (Management letter is not included) by IFAD on its website as per IFAD’s transparency regulations.

1. **Required Experts for both lot**

The team of key experts will comprise three persons for both lots. The experts should be currently employed in the profession.

The Auditor who signs the report (Team Leader) must be a member of a recognized professional institute. His/her membership will be proven by an attestation[[1]](#footnote-1) from the relevant professional institute or by any other form of registration of the Auditor as member of that institute. A university degree in accounting/audit/finance is not sufficient to satisfy this requirement.

The experts should have no link with the entity audited and should immediately declare if there is any possible conflict of interest.

Audit experience of the experts in the following sectors is desirable:

* Audit of IFAD/WB or other International Donor Programmers
* Audit Experience in MENA countries

Knowledge of the following languages is mandatory:

* English and Arabic: fluency and excellent writing skills

At least one of the experts on site should have a sound knowledge of the legal and accounting system of Jordan and has a practical experience of auditing IFAD or WB funded projects.

**Team Leader**

* MBA, Master Degree or, preferably, post-graduate in accounting/audit/finance from a reputable university
* Member of a recognized professional institute (see above)
* Authorized to certify accounts by the law of the country in which the consultant has its registered place of business
* At least 15 Years of general experience in the field of accounts auditing of which at least five (5) years auditing international donors’ programmers
* Experience with IFAD, WB and/or other international donors’ programmers is an asset
* Fluency and excellent writing skills in English and Arabic
* CPA certificate

**Senior Auditor**

* Bachelor of Science in accounting/audit/finance; MBA or a relevant Master degree is an asset or a professional certification are an asset
* At least 7 Years of general experience in the field of accounts auditing of which 1 year in auditing international donors’ programmers
* English and Arabic languages are a must.

**Junior Auditor**

* Bachelor of Science in accounting/audit/finance; MBA or a Master degree are an asset
* At least 2 Years of general experience in the field of accounts auditing
* English and Arabic languages are a must.

1. To be annexed to the CV of the expert concerned together with the offer. [↑](#footnote-ref-1)