

## **TERMS OF REFERENCE**

### **FOR THE PROCUREMENT OF EXTERNAL AUDIT SERVICES**

#### **I. BACKGROUND**

*The Centre for Coordination of Agricultural Research and Development for Southern Africa (CCARDESA) is a Sub-Regional Research Organization (SRO) established in 2010 by the Member States of the Southern African Development Community (SADC). Its headquarters are in Gaborone, Botswana. CCARDESA is a subsidiary organization of SADC Secretariat and has the mandate of coordinating agricultural research and development in the SADC region.*

Its main funding is from SADC Member States and international cooperating partners (ICPs). Furthermore CARDESA Secretariat is implementing projects that are funded by different donors.

It is against this background that CARDESA Secretariat intends to engage an independent external audit firm for the three years ending 31 December **2023, 2024, and 2025**. The year-end of CCARDESA is 31 December for each year.

The audit shall be carried out in accordance with international audit standards issued by International Organization Federation of Accountants (IFAC). The audit shall be carried out by an external, independent and qualified auditor (Certified Public Accountant/Authorized Chartered Accountant) accredited with Botswana Institute of Chartered Accountants (BICA) and Botswana Accountants Oversight Authority (BAOA).

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

2.1. The objectives of this audit are to enable the Auditor to express an audit opinion in accordance with ISA 800 (revised) on whether:-

- the general-purpose financial statements of CARDESA for the year ended 31 December 20xx presents, in all material respects, in conformity with the applicable Financial Reporting Standards.
- the Project financial statements or Statement of Expenditure for the year ended 31 December 20xx presents, in all material respects, in conformity with the applicable Terms and Conditions of the Financing agreements.

2.2. The Secretariat books of accounts provide the basis for preparation of those financial statements and are established to reflect the financial transactions in respect of the Secretariat and that it maintains adequate internal controls and supporting documentation for transactions.

### **3. RESPONSIBILITY FOR PREPARATION OF FINANCIAL STATEMENTS**

3.1. The responsibility for the preparation of Project Financial Statements (PFSs) lies with the CCARDESA Secretariat and is also responsible for:

(a) The selection and application of accounting policies. CCARDESA Secretariat will prepare the PFSs in accordance with applicable accounting standards- either the International Public Sector Accounting Standards (IPSASs),

(b) Implementing accounting, administrative and financial procedures as documented in manuals.

3.2. The auditors are responsible for the formulation of an opinion on the PFSs based on their audit conducted in accordance with ISAs (International Standards on Auditing) issued by the IFAC (International Federation of Accountants) or ISSAIs (International Standards of Supreme Audit Institutions) issued by the INTOSAI. National Auditing Standards that comply with ISAs or ISSAIs in all material respects will also be accepted. In accordance with these standards, the auditors will request the CCARDESA Secretariat for an Engagement/Confirmation Letter committing the CCARDESA Secretariat management to the preparation of the PFSs and maintenance of proper internal control systems as well as acceptable documentation for all financial transactions.

### **4. SCOPE OF THE AUDIT**

4.1. The audit will be carried out in accordance with the Standards specified in 3.2 above and will include such tests and verification procedures as the auditors consider necessary under the circumstances. In conducting the audit, special attention should be paid to the following:

(a) All funds have been used in accordance with the conditions of the financing agreement, with due attention to economy and efficiency and only for the purposes for which the funds were provided;

(b) Member States funds have been properly maintained in the designated bank accounts;

(c) Goods, works and services have been procured in accordance with the procurement manual in accordance with the CCARDESA rules and procedures; and have been properly accounted for;

- (d) Appropriate supporting documents, records and books of accounts relating to all project activities have been kept. Clear linkages should exist between the books of accounts and the financial statements presented;
  - (e) Separate bank accounts have been maintained in accordance with the provisions of the financing agreement;
  - (f) Comprehensive assessment of the adequacy and effectiveness of the accounting and overall internal control system to monitor expenditures and other financial transactions and ensure safe custody of project-financed assets and that they are being used for the intended purposes; and
  - (g) Ineligible expenditures identified during the audit will be reflected in a separate paragraph of the audit report and if material, the point should be reflected in the auditors' opinion.
- 4.2. In accordance with International Standards on Auditing, the auditors shall pay attention to the following:
- (a) **Fraud and Corruption:** In accordance with **ISA 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements)** the auditors shall identify and evaluate risks related to fraud, obtain or provide sufficient evidence of analysis of these risks and assess properly the risks identified or suspected;
  - (b) **Laws and Regulations:** In preparing the audit approach and in executing the audit procedures, the auditors shall evaluate the CCARDESA Secretariat's compliance with the provisions of laws and regulations that might impact significantly the PFSs as required by **ISA 250 (Considerations of Laws and Regulations in an Audit of Financial Statements)**;
  - (c) **Governance:** Communicate with the CCARDESA Secretariat Management responsible for Governance regarding significant audit issues related to governance in accordance with **ISA 260: (Communication with those charged with Governance)**; and
  - (d) **Risks:** With a view of reducing audit risks to a relatively low level, the auditors will apply appropriate audit procedures and handle anomalies/risks identified during their evaluation. This is in accordance with **ISA 330 (The Auditor's Responses to Assessed Risks)**.

## **5. MANAGEMENT LETTER**

5.1. In addition to the audit report, the auditors will prepare a “management letter” in which they will:

- (a) Give comments and observations on the accounting records, procedures, systems and controls that were examined during the course of the audit;
- (b) Identify specific deficiencies and areas of weakness in systems and controls and make recommendations for improvement;
- (c) Report on the degree of compliance with each of the financial covenants on the Loan/Grant agreement and give comments, if any, on internal and external matters affecting such compliance;
- (d) Report on the implementation status of recommendations pertaining to previous period audit reports;
- (e) Communicate matters that have come to their attention during the audit which might have a significant impact on the implementation and sustainability of the project; and
- (f) Bring to the Board/donor’s attention any other matters that the auditors consider pertinent.

5.2. Ideally, the management letter will include reactions/comments from CCARDESA Secretariat on the weaknesses noted by the auditors.

## **6. GENERAL INFORMATION**

6.1. The audit report including the financial statements, the management letter including the CCARDESA Secretariat’s responses should be received by the Board within four (4) months after the end of the fiscal year under review.

6.2. The auditors will be given access to all legal documents, correspondence and any other information associated with the project and deemed necessary by them.

## **7. AUDITORS EXPERIENCE AND QUALIFICATIONS**

7.1. Qualifications and Experience

The Auditor will employ adequate staff with appropriate professional qualifications and suitable experience with IFAC standards, in particular International Standards on Auditing and with experience in auditing the accounts of entities comparable in size and complexity to the Entity. In addition the audit team as a whole will have:

- Appropriate experience with audits of external aid operations financed by the donors. At least one senior member of the fieldwork team either a manager/supervisor should have such experience;
- Demonstrate sufficient knowledge of relevant laws, regulations and rules in the country concerned. This includes but is not limited to taxation, social security and labour regulations, accounting and reporting, and

## 7.2. Team composition

The team of auditors required for this engagement will be composed of a level 1 auditor who has the ultimate responsibility for the audit and signing of the opinion and an audit team which is composed of an appropriate mix of level 2 – 4 auditors and who have the qualifications and experience as set out below.

### Level 1 – Audit Partner

An audit partner must be a highly qualified expert with a relevant university or professional qualification and assuming or having assumed senior and managerial responsibilities in public audit practice. He/she should be a member of a national accounting or auditing body or institution. He/she must have at least 12 years of professional experience as a professional Auditor or accountant in public audit practice and experience with working with the recipient countries of donor aid will also be taken into account.

An audit partner, or another person in a position similar to that of a partner, is the person of the audit firm who is responsible for the audit and its performance, and for the report that is issued on behalf of the firm. He/she has the appropriate authority from a professional, legal or regulatory body and is authorized to certify accounts by the laws of the country in which the audit firm is registered.

### Level 2 – Engagement Manager

An audit manager must be a qualified expert with a relevant university or professional qualification. He/she must have at least 7 years' experience as a professional auditor or accountant in public audit practice including relevant managerial experience of leading audit teams.

### Level 3 –Audit supervisor

An auditor supervisor must be a qualified expert with a relevant university or professional qualification and at least 5 years professional experience in external aid audits or audit practice.

### Level 4 –Senior Auditor

A senior auditor must be a technical and administrative staff of at least 3 years standing with the audit firm or a qualified expert with a relevant university or professional qualification and less than 3 years professional experience in public audit practice.

### 7.3. Curriculum Vitae ('CVs')

The Auditor will provide the CCARDESA Secretariat with CV's of the partner or other person in the audit firm who is responsible for the audit and for signing the report together with the CVs of the audit manager, supervisor and staff proposed as part of the audit team. CVs will include appropriate details on the type of audits carried out by the staff indicating capability and capacity to undertake the audit as well as details on relevant specific experience. We will require that the engagement team that is indicated in the proposal are the personnel deployed during the audit exercise.

CCADERSA Secretariat will examine the CVs before it signs a contract for the engagement and will reject them if they are not considered suitable for the requirements of the engagement

## 8. SUBMISSION REQUIREMENTS AND FORMAT FOR THE BID

Each bidder must submit one (1) original marked "ORIGINAL" and four copies marked "COPY" of the technical and financial bids.

The Technical and Financial bids must be submitted in separate envelopes clearly marked "TECHINICAL" and "FINANCIAL" proposals respectively. The Technical bid must contain the compliance documents.

The proposals must consist of the following three parts:

PART A: Compliance documents

PART B: Technical proposal

PART C: Financial proposal

### **PART A: Compliance documents**

Bidders will be required to submit the following compliance documents and information:

- i. Audit firm Partnership Agreement or equivalent or any proof of registration as an Audit Firm in the Republic of Botswana.
- ii. Resolution of partners or authorised person confirming authority to submit tender bid and enter into any agreement arising out of and in connection with this tender
- iii. List of partners or auditors or audit firm as registered with the Botswana Accountancy Oversight Authority (BAOA) and certified/ authenticated by BAOA or equivalent in the country of origin
- iv. Valid tax clearance

- v. Valid registration or accreditation and licensing with the BICA and BAOA for the firm and the engagement partner.
- vi. Valid professional indemnity Insurance Cover from a reputable insurance company certified by a competent authority.
- vii. Audit firm profile and curriculum vitae for the proposed engagement team.

***Bidders who fail to submit the information required above will be disqualified from this tender.***

## **PART B- Technical Proposal**

In this section the bidder should demonstrate an understanding of CCARDESA's requirement in responding to this bid. The bidder is required to provide concise information relating to how the services/requirements will be delivered/ met (with reference to the services and scope of work required section above at paragraph 3). Examples and past experience or references should be specified in responding to the aforementioned points.

### **Auditor Or Audit Firm experience**

With reference to the Services and Scope of Work Required section above, please provide full details of current and past experience in providing Internal Audit Services.

### **Project team**

With reference to the Services and Scope of Work Required section above, please provide comprehensive CVs of all persons (auditors or audit firm team members) who will be involved in the execution of this service. This should include the following in tabulated form:

- Evidence of qualifications and competencies of the organisation and staff.
- Relevant skills and experience.
- A description of roles and responsibilities of each individual relating to the required services
- All submitted certificates must be valid and certified
- Detailed CV's of the auditors/s or team member in the firm who will be responsible for managing the internal audits and the person who will be signing the audit plan and reports.
- The relevant individuals must be registered with BAOA and or BICA
- Registration with any recognised or relevant regulatory body.

## **PART C- Financial Proposal**

It is understood and noted that external audits are based on hourly rates and that budget are compiled once the appointed auditors has assessed the likely extent of the work. Bidders are required to submit a table of hourly rates which should be inclusive of overheads and VAT. While it is accepted that it may be difficult for a prospective bidder to be firm about the extent of the work based solely on the Terms of Reference; to assist with assessments, audit firm bidders must provide a typical distribution of time for members of the engagement team.

The financial proposal should be submitted in a separate sealed envelope in line with Submission requirements under paragraph above.

The Tender Bid price shall:

- a) Remain fixed for the entire duration of the contract, and may only be adjusted in relation to the Botswana Consumer price Index (CPI)
- b) Be in Botswana currency, PULA (BWP) and inclusive of Value Added Tax (VAT); and
- c) Remain valid for ninety (90) days from the closing date.

## **9. TENDER BID EVALUATION PROCESS AND CRITERIA**

### **i. EVALUATION PROCESS**

Bids will be evaluated in three (3) stages: namely, Stage 1: Compliance; Stage 2: Technical and Stage 3: Financial

Bidders are to note the following:

- Failure to meet any or all of the requirements of stage 1 will automatically disqualify the bidder from moving to stage 2 of the evaluation
- Failure to achieve a minimum score of 70% in stage 2 will disqualify the bidder from moving to stage 3 of the evaluation.
- The total score shall be obtained by weighing the Technical and Financial scores on a ratio of 70:30 respectively, and adding the Technical and Financial scores together to obtain the combined score.
- CCARDESA may call any shortlisted bidder for a presentation regarding any aspect of its bid. A presentation by any bidder will not constitute an award/undertaking to award the contract.
- Upon conclusion of the evaluation, CCARDESA may select the preferred bidder, who may have attained the highest overall score, based on the evaluation criteria.
- CCARDESA reserves the right to award or not to award the contract at all.



ii. **EVALUATION CRITERIA**

**STAGE 1: COMPLIANCE**

| <b>COMPLIANCE DOCUMENTS</b> |   | <b>YES</b> | <b>NO</b> |
|-----------------------------|---|------------|-----------|
| a)                          | Audit firm partnership Agreement or equivalent or any proof of registration as an audit Firm and/or Auditor in the Republic of Botswana.                              |            |           |
| b)                          | Resolution of partners or authorised person confirming authority to submit tender bid and enter into any agreement arising out of and in connection with this tender. |            |           |
| c)                          | List of partners or auditors or audit firm as registered with the Botswana Accountancy Oversight Authority (BAOA) and certified/authenticated by BAOA.                |            |           |
| d)                          | Valid Tax clearance certificate   |            |           |
| e)                          | Valid registration or accreditation and licensing with BICA and BAOA for the Firm and Engagement Partner  |            |           |
| f)                          | Valid professional Indemnity Insurance Cover from a reputable insurance company certified by a competent authority  |            |           |

**STAGE 2: TECHNICAL COMPETENCE**

The technical sub-criteria and their weights are as follows:

| <b>TECHNICAL SUB-CRITERIA</b>  | <b>SCORE</b> |
|--|--------------|
| Understanding the terms of reference   | 10           |
| Relevant experience of the bidder / firm   | 20           |
| Key personnel's qualifications and experience, with points awarded for: <ul style="list-style-type: none"> <li>• Relevance of experience</li> <li>• Skills and Qualifications</li> <li>• Suitably sized team</li> </ul>  | 30           |
| Technical response to Terms of Reference questions, with points awarded for; <ul style="list-style-type: none"> <li>• Methodology – A clear and well-defined methodology and general approach</li> <li>• Scope – A comprehensive and well define Scope</li> <li>• Quality Assurance – A clearly define and Quality Assurance Plan</li> </ul> | 40           |
| <b>Total</b>   | <b>100</b>   |

Minimum eligible technical score is **70%**

### **STAGE 3: FINANCIAL**

The lowest tender bid price will be given the maximum price score of 30 with the other bidders allocated a pro-rated score based on the lowest tender bid price as follows: lowest price divided by bidder's price multiplied by 30.

#### **iii. OTHER/SPECIAL CONDITIONS**

- i. Cancellation of procurement process  
CCARDESA reserves the right to amend, modify or withdraw this tender, or amend, modify or terminate any of the procedures or requirements set out herein at any time and from time to time, without prior notice and without liability to compensate or reimburse any person.
- ii. Rejection  
CCARDESA will reject a proposal for the award of a contract if the bidder has committed a corrupt or fraudulent act in competing for his contract.
- iii. Negotiation and contracting
  - CCARDESA has the right to enter into negotiations with one or more bidders regarding any terms and conditions, including price, of a proposed contract.
  - CCARDESA shall not be obliged to accept the lowest or any quotation, offer or proposal.
  - CCARDESA reserves the right to award the contract or not to award the contract at all
  - CCARDESA reserves the right to select another preferred bidder in the event that negotiations with the originally selected preferred bidder prove unsuccessful and/or are unduly delayed.
  - No agreement will be deemed to be reached with any bidder, unless and until a definitive Agreement and other related transaction documents are concluded between CCARDESA and the preferred bidder.
- iv. Price adjustments  
Should there be need for Change of Scope during the contract term; CCARDESA reserves the right to negotiate the contractual price.
- v. Additional information requirements
  - CCARDESA may request for additional information during the evaluation process, which information should be provided within the stipulated time.
  - CCARDESA will only receive additional information if such information is in response to a specific request by CCARDESA.

## HOW TO APPLY

- 9.1. Audit firm(s) who meet the requirements of the TORs and the commercial and contractual conditions, and if the auditor find any ambiguity, omission or internal contradictory, or any feature that is unclear or that appears restrictive, they should seek clarification before the closing date of submission.
- 9.2. Audit firm(s) should ensure that they submit a full proposal including all the supporting documents requested. It is essential to ensure accuracy in the curriculum vitae of key engagement team members submitted. The curriculum vitae should be signed by the individual team members and dated. Non-compliance with important requirements will result in rejection of the proposal.
- 9.3. Once the proposals are received by CCARDESEA and opened, auditors are not required or permitted to change the substance, the key personnel and so forth.
- 9.4. The process of proposal evaluation shall be confidential
- 9.5. The Financial proposal should be in Botswana Pula comprising audit fees, any disbursements and Value added tax only
- 9.6. Bidders are requested to submit one (1) **ORIGINAL** and three (3) **COPIES** clearly marked “**ORIGINAL**” or “**COPY**” for each technical and Financial proposal, and,
- 9.7. Bidders are reminded to clearly mark technical and financial proposals in separate envelopes.

The proposals which should be clearly marked “**Proposal for the provision of External Audit services**” should be submitted on or before 3<sup>rd</sup> November 2023 and addressed to the following:

### **THE EXECUTIVE DIRECTOR**

CCARDESA Secretariat  
Ground Floor, Red Brick Building  
Plot 4701 Station Exit Road  
Gaborone  
Botswana  
Tel: +267 391 4997