



TERMS OF REFERENCE FOR FRAMEWORK AGREEMENT FOR AUDIT SERVICES

1. EMBASSY OF SWEDEN IN ETHIOPIA

The Embassy of Sweden in Ethiopia has a broad mandate to promote Swedish-Ethiopian relations through political dialogue, development co-operation, trade and investment, cultural exchange and through service to Swedish and foreign citizens with issues related to Swedish authorities.

The key objective of the Swedish development cooperation with Ethiopia is to contribute to the reduction of poverty in the country by helping to remove the factors that create or perpetuate poverty with special focus on:

- Environment and Climate, Resilience
- Democracy, Human Rights and Gender Equality
- Food Security, Employment and access to Market

For more information, please see <http://www.sida.se/English/where-we-work/Africa/Ethiopia/>

2. FRAMEWORK AGREEMENT FOR AUDIT SERVICES

The Embassy of Sweden in Ethiopia has decided to procure a Certified Public Accountant (hereinafter called the Auditor) to provide Audit Services on a framework basis. The types of assignments which the Firm will be requested to undertake are described in section 6 of the Terms of Reference. The agreement period is two years with a possibility to be extended twice with unaltered conditions for a period of twelve months for each extension.

The framework agreement presented here is aimed for audit services when the Embassy is contract holder: The agreements Sweden holds with their partners grant the Embassy the right to commission different kind of audits and reviews of partners, for which the Embassy will be the contracting party. This framework agreement will be used for such audits. Under special circumstances, it could also be an annual financial audit at a partner organization, but still the contract holder would be the Embassy.

The framework agreement presented here is hence not aimed for the annual audit that partners themselves procure and are the contract holders for:

The responsibility to have operations audited annually rests with the partner organization. In all partner agreements it is stated that the project/ program shall be audited annually. An external, independent and qualified auditor shall carry out the audit in accordance with International Standards issued by IFAC. The contracting partner of the audit firm is in this case not the Embassy.

Assignments could in certain cases be implemented with an audit firm selected by another donor, or with the Office of Auditor General (OAG) in Ethiopia.

It should be noted that the Framework Agreement will not include any guarantees of volume of services to be required/provided/contracted.

3. OBJECTIVES

The major objectives of the audit services are (but not limited to):

- (1) To give the Embassy of Sweden in Ethiopia the possibility to undertake different types of auditing and reviews and related services including financial assurance and non-assurance audits, forensic audits, reviews of internal management and control, other audit related services and various types of efficiency audits.
- (2) To assist the Embassy and counterpart institutions, authorities and organizations in building internal capacity relating to financial and audit activities.
- (3) To assist on an ad-hoc basis in less complicated audit advice that can be given by telephone or e-mail within a day and participate in different kinds of workshops and trainings at the Embassy and give a second opinion on audit reports that the Embassy receives from its partners.
- (4) Tenderers should be able to provide all types of assignments included in this tender.

4. TYPE OF FRAMEWORK

A framework agreement will be put in place with not more than three firms with the following structure:

- For assignments of maximum 200 working hours a ranked procedure will be used; and
- For assignments that exceed 200 working hours a renewed competition procedure will be used.

4.1 Ranked Framework Agreement

For assignments of maximum 200 working hours the ranking order from the procurement evaluation is valid, where the tenderer that is ranked number one will be called off first. The respective tenderer shall always inform the Embassy if they do not have the possibility to offer the requested service or resource.

The assignment will be specified in Terms of Reference specific for that particular assignment including competence level as well as start and end time for the assignment.

If the number one tenderer cannot offer the requested services; the Embassy will contact the second in the ranked order, and so on.

4.2 Framework Agreement with Renewed Competition

For assignments exceeding 200 hours, the call-off can be viewed as a “mini procurement”. The Embassy will send a call-off request to all firms under the framework agreement. The request is based on template in Appendix 3.3 (Call-off renewed competitive Tender), stating background of assignment, its objective, content, consultant qualifications sought, timetable, form of reporting etc. The Firm undertakes to answer the request within the time limits specified in the request. The Firm should inform the Embassy could there be a possible conflict of interest with other assignments.

The Embassy shall award the assignment to the tender with the most suited combination according to the specified criteria. An example is shown in template Appendix 3.3 (Call-off renewed competitive Tender). The Firm will be awarded the assignment provided there is no conflict of interest.¹

5. NUMBER OF AUDITS AND WORKING CONDITIONS

The extent of the services to be performed cannot be defined as the Auditor is expected to provide the services as and when required under the framework agreements. Audits will vary in length and complexity and they may involve travel within Ethiopia. The framework agreement does not include and guarantees of volume of services.

6. SCOPE OF WORK

1. Assignments commissioned by the Embassy

Assignments can include audits/reviews of projects as well as implementing Firms/Organizations/Authorities.

The following main types of audit services could be requested from this framework agreement:

a) Financial audits with assurance engagement including:

- Assess that the financial report is true and fair through substantive procedures and review of the internal control.

¹ Consultants shall provide professional, objective and impartial advice and at all times hold the Client’s interests paramount, without any consideration for future works, and strictly avoid conflicts with other assignments or their own corporate interests. Consultants or any of their affiliates shall not be engaged for any assignment which, by its nature, may be in conflict with another assignment of the consultant.

- Make a statement of the financial report in accordance with international standards issued by ISSAB².

Common assignments include yearly audit regarding a program/project or an annual report.

Audit reports must always be accompanied with a management letter.

b) Financial audits/review/assessments according to international standard without assurance, for example:

- In depth financial audits/reviews/assessments according to "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" (ISRS 4400).
- Consultancy reviews, i.e. reviews, if applicable, of existing auditor reports/reviews and related reports/assessments.
- Procurement audits in order to establish whether procurement processes are in compliance with national legislation and agreements, verification of technical and, physical compliance and price competitiveness of contracts, and review of contract administration and management.
- Various types of Internal Management and Control Audits in order to examine if the organization is achieving its goals through:
 - An effective organization.
 - Reliable reporting.
 - Compliance with applicable acts and ordinances.
- Other types of audit related services, not stated above.

c) **Forensic Audits** in cases where there are suspicions of corruption and/or other irregularities.

d) Various Types of Efficiency Audits

- Various kinds of assessment of whether the organization has capacity, competence and resources to achieve its goals.
- An assessment of internal management and control as well as an assessment of the auditing process if often included.

Examples for such audits/reviews are (but not limited to):

- Capacity studies in order to examine the partner organizations' capacity with regard to goal fulfillment, planning, administration, monitoring and evaluation, resources, etc., with a view to determine the quality of the

² International Auditing and Assurances Standards Board.

activities pursued by the organization (covering e.g. staffing, internal controls, routines, etc.).

- Compliance audits in order to examine whether the partner organization or project implementer follows legislation, rules, agreements, etc.
- System audits in order to analyze whether the organization functions by examining routines and systems in the organization that are intended to guarantee reliability in its activities and reports.
- Pre-appraisal audits (pre-award assessment) in order to examine whether the (potential) partner organization's stability, structure, management capacity and manning, financing and control functions, etc., are such that the planned activity can be expected to be successfully pursued and that granted funds will be utilized in an accountable and transparent manner.

e) **Performance Audits (or value for money audits)** in order to examine how well the partner organization has achieved its goals (effectiveness), the relationship between resources used and results (cost effectiveness).

Assignments can consist of a combination of above-mentioned audit/review types.

The assignments can include either pre-appraisals before a planned development cooperation project, continuous reviews for on-going projects or follow up of already implemented projects or when there exists a suspicion of irregularities.

2. Internal/external capacity building and support

The Auditor may be requested to provide training and advice for Embassy staff as well as counterparts. Advisory services in the elaboration of design of Terms of Reference for audits may also be included.

3. Ad hoc advice regarding less complicated matters

The Embassy intends to make a call off from this framework agreement to assist on an ad-hoc basis in less complicated audit advice that can be given by telephone or e-mail within a day.

In some assignments a combination of different approaches and audits may be required.

Tenderers must confirm in their tender in writing that they have the capacity, knowledge and experience to conduct all types of audits listed above.

7. REPORTING

The kind of report(s) required will be stated in the call-off enquiry/call-off contract.

A soft copy of the draft report of a concluded assignment shall be submitted to the Embassy within a time frame specified in the separate call-off order.

Within one week of receiving comments on the draft report, a final version of the report shall be submitted in one hard copy and one soft copy to the Embassy.

Reporting language will be English. The framework holder shall have internal quality assurance systems to assure that report delivered to the Embassy follows the terms of reference agreed upon for the assignment.

The auditor shall present the major findings of the report in a meeting with the Embassy, and, if so agreed, with the concerned organization.

If requested by the Embassy, there should also be a yearly meeting between the Embassy and the auditor.

Annual audits of the call-off contracts received by the framework agreement holders (and services rendered under call-off contracts) are not required.

8. PROFILE OF THE CONSULTANTS AND STAFFING REQUIREMENTS

In order to be able to carry out the different types of audits relevant staffing has to be made available in accordance with the specific ToR for each assignment as well as in accordance to the invitation to tender for this specific framework agreement.

The Invitation to Tender (Procurement Document, Section 6) provides more specific information on the requirements for the consulting firm as well as for the consultants.

A. Company (tenderer) requirements

The tenderer shall be a well-established accounting firm with appropriate experience in conducting audits, covering all types of audits as listed under Section 6 (Scope of Work) of these terms of reference; the tenderer must be at least 7 years in business during which relevant services covered in these terms of reference must have been provided.

Working experience in Ethiopia is mandatory, and preferably the tenderer shall have a presence in Ethiopia; if a tenderer does not have a presence in Ethiopia, the tenderer must have access to qualified national staff relevant for the audits listed in Section 6 (Scope of Work).

The technical proposal must include all information as required in the Invitation to Tender.

Understanding of and comments on these terms of reference and methodology shall not exceed a combined 20 pages (excluding Appendices, e.g. sample work plans, staff presentation, company profile, etc.); tenderers are advised to refrain from simply repeating these terms of reference or stating the obvious already known to the Embassy or use the technical proposal as marketing tool only, but rather provide to-the-point comments and practical methodology.

References must be provided in the format contained in the Invitation to Tender, and shall be 15, all from the past 7 years (2013 to 2019), preferably covering the full range of required audits, as listed and described in Section 6 of these terms of reference.

For further requirements, please refer to the invitation to tender (procurement document).

B. Staffing requirements

In order to be able to carry out the different types of audits relevant manning has to be made in accordance with the specific Terms of Reference for each assignment.

Rates for the following categories of staff shall be offered in the financial proposal (see Appendix 5.2):

- 1) Junior Level Consultant (Level 3), with relevant experience of less than 5 years;
- 2) Midlevel Consultant (Level 2), with relevant experience of between 5 and 15 years; and
- 3) Senior Level Consultant (Level 1), with relevant experience exceeding 15 years.

The rates to be offered in the financial proposal (Appendix 5.2) shall be the maximum rates a successful tenderer can use in responses to call-off enquiries. Attention is drawn to the framework agreement duration, including extensions, with unaltered conditions.

The staff proposed by the Consultant at all 3 Levels shall possess relevant degrees or equivalent theoretical and practical qualifications in relation to experience of assignments within the field of auditing. The Junior Level Consultants can be less experienced. Concerning financial audit assignments the Consultant shall appoint an authorized public accountant or chartered accountant with competence to perform audits in accordance with international standards issued by IAASB.

CVs of proposed staff shall be submitted in the format contained in the Invitation to Tender and shall be limited to between 9 and 15 CVs; at least three CVs each (but not more than 5) must be provided for each of the 3 levels of consultants. The presented CVs shall not be excessive in size and must be to-the-point.

Language: English and Amharic language proficiency is required for teams of auditors; all CVs provided by tenderers must clearly cover 'full professional proficiency' of English (Level 2), Amharic language knowledge is limited to teams of Consultants, however, at least 1 CV each for all 3 levels of consultants must include Amharic (Level 2). Other languages spoken in Ethiopia are considered an added value.

Country/regional experience should be provided in at least two CVs for each level.

The number of CVs provided (min. 9 max. 15) will not influence the technical evaluation result, as long as the minimum is reached – only the quality of the provided CVs will be considered.

For further requirements, please refer to the invitation to tender (procurement document).