

Terms of Reference (ToR) & Request for Expression of Interest (REOI)

For Hiring of External Auditor
For the Audit of the SAO's Statement of Expenditures (2 components)

Assignment Title:	Hiring of Independent External Auditor for the audit of the SAO's Statement of Expenditures (transactions) for FY 2018 / 1397			
Components:	(i) SAO's component of World Bank's Fiscal Performance Improvement Support Project (FSP), and (ii) SAO's component of Government's Annual Accounts (called Qatia Accounts) – WB FSP's transactions are also included in the Qatia Accounts.			
Organisation:	Supreme Audit Office (SAO), Afghanistan.			
Place:	SAO Headquarter, Kabul (Darul Aman), Afghanistan.			
Duration of audit:	Maximum Three (3) weeks.			
Type of Audit:	Financial Audit including opinion on transactions and compliance with the applicable authorities including terms and conditions of financing. <i>agreement</i>			
Total SAO's Expenditure 1397.		<i>Operating</i>	<i>Development *</i>	<i>Total</i>
	Afs	155,925,200	178,545,792	334,470,992
	Equivalent (US\$) Afs 74.4 / US\$ (avg)	2,092,956	2,396,588	4,489,544
	* Includes WB-FSP 2018 (64,102,087); carried over WB PFMR-II component in 2018 (Afs 89,476,827) and GoIRA discretionary development fund in 2018 (Afs 24,966,878).			
Subsequent years' audits.	The successful Independent External Auditor, in addition to the audit of the SAO's SoE for the FY ended 2018, may be required to audit / appointed for the audit of the SAO's SoE for the subsequent FYs ending 2019, 2020 & 2021 or till the closure of the World Bank's FSP.			

1. Introduction & Background.

The Supreme Audit Office (SAO) is the Supreme Audit Institution conducting audit of accounting and financial activities of the Government entities and organizations in Afghanistan. The SAO has the mandate to conduct Qatia Statements Audit, Financial Audits, Compliance Audits, Performance Audits, IT Audit and special audits. Its mandate, functions and powers are enshrined in the Supreme Audit Office Law, 2012.



The SAO also undertakes Audit of the Financial Statements of the World Bank grants projects and provide audit opinion on the financial statements and compliance of the projects with terms and conditions of the respective / relevant financing agreements.

The SAO's financing is sourced from the Government funding as well as the support from the World Bank. All the financial resources made available to the SAO through the sources are routed through the National Budget of Afghanistan and are on-budget transactions. Financing from the Government is under both the operating budget and the development budget. Financing of the World Bank's FSP is invariably under the development budget.

The budgeting and approval of appropriations, incurring the expenditure and control thereon, and annual reporting of the transactions follow nationally applicable authorities, rules, regulations and guidelines and also relevant World Bank's requirements, as applicable. The transactions are annually reported as part of the Government Annual Report on Accounts (called Qatia Accounts). Processing of the transactions and payments made are managed as per the Treasury Single Account (TSA) operated by the GoIRA MoF and the SAO does not control any cash separately, except petty cash from time to time.

2. Scope limitation for the SAO.

The SAO conducts audit of the Government's Annual Accounts (Qatia Accounts) as well as the World Bank's grants projects, WB-FSP being one of the projects, and provides its audit reports.

Given that the SAO does not cover under its audit the transactions pertaining to its operations and activities both under the Qatia Accounts and the WB-FSP, as it is the auditor of both of them, the SAO needs to hire an independent external auditor for undertaking audit of the statement of expenditures on both counts and for providing audit report thereon.

3. Responsibility for the preparation of the financial statements / statement of expenditure / reconciliation statements.

As per Article 55 of the Afghanistan Public Finance and Expenditure Management (PFEM) Law, the Ministry of Finance (MoF), Government of the Islamic Republic of Afghanistan (GoIRA) is required to prepare final budget reconciliation report and a set of financial statements for audit.

As per the institutional and implementation arrangements for the project implementation of the FSP, the Project financial statements are to be prepared by GoIRA MoF.

The GoIRA follows cash basis of financial reporting under the framework contained in the PFEM Law, Budget Guidelines, Accounting Codes and donor's financing terms and conditions. Presentation of the Qatia Accounts are as per the Operating and the Development expenditures. The Operating and the Development expenditures are presented as per Economic Classification under Salary and Wages, Purchase of Goods and Service and Acquisition of Assets (three relevant for the SAO, amongst others). The Development expenditure is also presented as per projects components. The SAO budget had four (4) project components in 2018 / 1397 of which three (3) components had expenditure. The documents relating to transactions are in native / local languages.

4. Objective of Audit.

The objective of the audit of SAO's statements of expenditure is to enable the auditor to express an independent audit opinion on fair presentation of the transactions of the SAO – (i) SAO's component in the Government's annual accounts (Qatia Accounts), and (ii) SAO's component of the WB-FSP,



and that the expenditures have been applied for the purpose intended for and comply with the applicable authorities, laws and regulations, including the WB's financing terms and conditions.

The books of accounts of the SAO, kept as per the requirements of the GoIRA financial management and regulatory framework (e.g., PFEM Law, Budget Guidelines, Accounting Codes, and Chart of Account) and also as per the specific requirements under the WB-FSP, provide the basis for preparation of the SAO's Statement of Expenditure (SoE).

5. Responsibility of the Independent External Auditor.

The auditor is responsible for forming and expressing opinion on the statement of expenditure / financial statements (for both the components) including on compliance with applicable authorities.

The Accounting and Financial Reporting Framework is as per the national requirements contained in the Afghanistan PFEM Law, Budget Guidelines, Accounting Codes, and Chart of Account and the terms of financing under the World Bank's project (FSP). The auditor is required to provide assurance in terms of the compliance with the national requirements / FSP requirements.

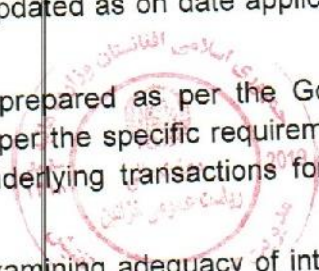
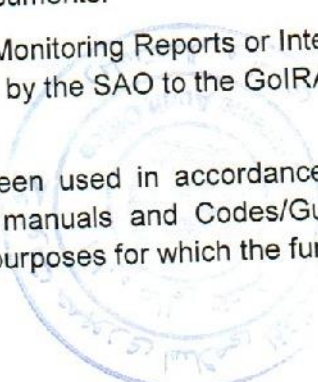
The auditor shall also examine and provide an independent opinion on maintenance of the proper books of accounts as required by law / terms of financing and adequacy of the internal controls and supporting documentation for the transactions.

The audit shall be carried out in accordance with the applicable INTOSAI's financial auditing standards including considerations of compliance with applicable authorities and terms of financing under the FSP, risk of fraud and corruption, etc. The auditor may request from the SAO / the GoIRA MoF written confirmation concerning representations made in connection with the audit.

6. Scope of Audit.

While performing the audit and reporting the results as in paragraph 5 above, the independent external auditor shall keep the following areas in view:-

- (i) Undertaking the audit as per the INTOSAI financial auditing standards (INTOSAI ISSAIs 1000-2999, which are based on the IFAC ISAs, as revised / updated as on date applicable for 1397/2018).
- (ii) Verification that the Statements of Expenditure have been prepared as per the GoIRA financial management and regulatory framework and also as per the specific requirements under the WB-FSP, as applicable and fairly present the underlying transactions for the period applicable.
- (iii) Performing tests and procedures including test of controls, examining adequacy of internal controls, documentation and supporting records, etc., as deemed appropriate, including for the evidence supporting the assertions in the statement of expenditures and the related transactions and the supporting documents.
- (iv) Verification that periodic Financial Monitoring Reports or Interim Financial Reports required under the WB-FSB were submitted by the SAO to the GoIRA MoF and reconcile with the related Statement of Expenditure.
- (v) Verification that all funds have been used in accordance with the applicable authorities (GoIRA laws, rules, regulations, manuals and Codes/Guidelines), including the donor's financing agreements and for the purposes for which the funds were provided.



- (vi) Verification that goods, works and services financed under the WB-FSP have been procured in accordance with the relevant financing agreements including specific provisions of the WB Procurement Policies and Procedures.
- (vii) Undertake examination and verification of any items / subjects or related documents that are necessary to obtain reasonable assurance on the statements of expenditure and the underlying transactions.

7. Outputs / Deliverables by the Independent External Auditor

The Independent External Auditor, upon completion of the audit work, shall provide the following outputs / deliverables, within the period of assignment –

- (i) *Auditor's Report* on the fair presentation of the Statements of Expenditure (two components – Qatia Accounts & WB-FSP) including opinion on compliance with applicable authorities and financing terms and conditions;
- (ii) *Audited Statements of Expenditure*;
- (iii) *Management Letter*;

The Management letter, amongst others, may include, the following –

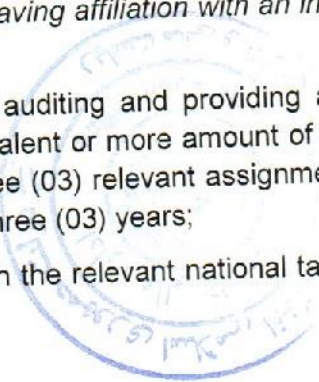
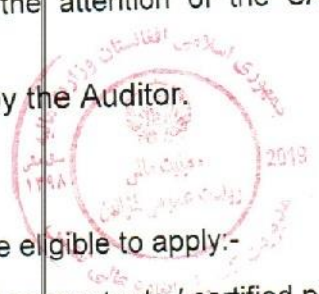
- a) Areas of risks having potential of material misstatements due to error or fraud, non-compliance, etc.
- b) Comments and observations on the accounting records, procedures, systems and controls that were examined during the course of the audit;
- c) Identified specific deficiencies and areas of weakness in systems and controls with recommendations for improvement;
- d) Report on the implementation status of recommendations pertaining to recent previous period audit reports;
- e) Any other pertinent matters that need to be brought to the attention of the SAO's management.

- (iv) Any other report or recommendations deemed appropriate by the Auditor.

8. Qualification & Experience for the Assignment

A Statutory Audit firm having the following qualifications / experiences are eligible to apply:-

- (i) Is registered with / member of a national institute of chartered accountants / certified public accounts or registered with the relevant authority in Afghanistan. *Preference shall be given to a domestic firm or a firm having affiliation with an internationally reputed audit firm for at least last three (03) years.*
- (ii) Having the experience of - auditing and providing audit opinion on at least three (03) financial statements of equivalent or more amount of **turnover / expenditure** in last three (03) years, **OR** - at least three (03) relevant assignments with audit fee not less than US\$ 100,000 (combined) in last three (03) years;
- (iii) Is a registered tax payer with the relevant national tax authority at least for last three (03) years;



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- (iv) Has not reported loss for at least two consecutive years in any of the last three (03) years;
- (v) Having the experience of audit of financial statements of public sector entities / World Bank / donors / multilateral agencies is preferable.
- (vi) Having experience in a conflict zone / neighbouring countries is preferable;
- (vii) Having any conflict of interest of the firm or its members with the Supreme Audit Office or its officials is not eligible to apply.
- (viii) Has not been debarred or blacklisted by the Government of the Islamic Republic of Afghanistan or the Da Afghanistan Bank or the World Bank (any or all of them) for unethical, fraudulent or any other non-compliant activities of the firm or its members.
- (ix) The firm shall provide a commitment for its quality control system for the audit process and compliance with the code of ethics of the Supreme Audit Office.

9. Audit Fees

The audit fees will be fixed through a competitive bidding process with due consideration of the qualification and experiences as in paragraph 8 above.

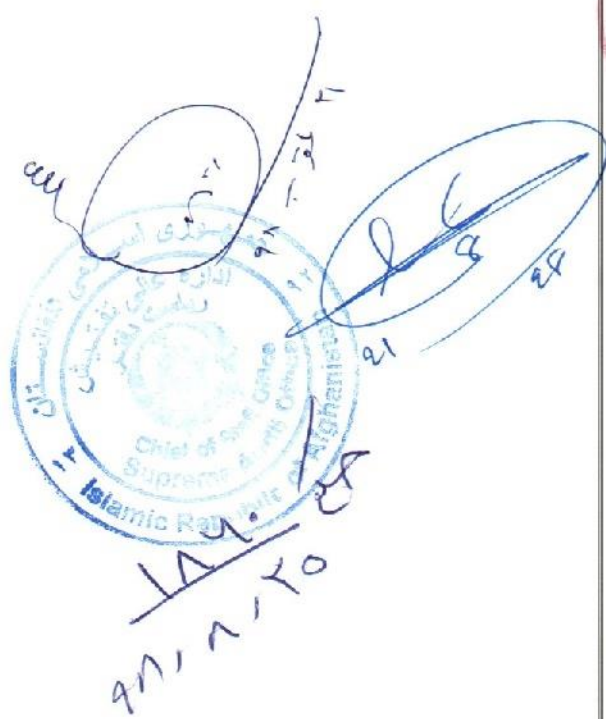
Authorized signatory:

(_____)

Address: _____

Supreme Audit Office, Afghanistan
 Darul Aman (Near Independent Commission for Human Rights)
 Kabul, Afghanistan

Nov 13, 2019



Cost Estimate for SAO's Financial Audit

<i>Description</i>	<i>Unit cost</i>	<i>Qty</i>	<i>Assignment days</i>	<i>Total</i>
Audit fee	250	2	21	10,500
Stationary / Office Supplies/toner	500	1	1	500
Local Transportation	10	2	21	420
Food and Water	5	2	21	210
Total One Year Cost				11,630
Total Costs for four Years				46,520

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