**Montenegro**

**Ministry of Agriculture and Rural Development**

**Rural Clustering and Transformation Project (RURAL CLUSTERING AND TRANSFORMATION PROJECT)**

**Request for expressions of interest for the selection of**

**firms for audits**

Loan number: 2000001842

Grant number: 2000001841

The Government of Montenegro is a loan beneficiary in the amount of EUR 3,880,000 granted by the International Fund for Agricultural Development (IFAD) as well as the ASAP grant in the amount of EUR 1,880,000 for the financing of the Rural Clustering and Transformation Project (RCTP. This advertisement follows the procedure specified in the final design of the project “Rural Clustering and Transformation Project (RCTP)” of 12 January 2017 and in the Letter to the Borrower dated 12 May 2017 and revised 16 October 2017.

Where in this TOR the ‘Contracting Authority’ is mentioned this refers to **IFAD** which has signed the Agreements with the **Recipient/Borrower Montenegro** and finances the services / activities, the Contracting Authority is not a party to this engagement.

**1.1 Responsibilities of the Parties to the Engagement**

The LPA refers to the entity that executes the Project on behalf of the Montenegro and that has signed the Agreements with the Contracting Authority.

* The LPA is responsible for providing a Financial Statements for the services financed by the original loan and additional loan and equally for grants and for ensuring that these Financial Statements can be properly reconciled to the PCU/ RCTP records and accounts in respect of these services.
* The LPA accepts that the ability of the Auditor to perform the procedures required by this engagement effectively depends upon the LPA-PCU-RCTP providing full and free access to their staff and records and accounts.
* The LPA 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:
1. Project Agreement;
2. Annual Progress Report;
3. Project Implementation Manual;
4. Financial Management Manual;
5. Organizational charts along with names and titles of senior managers;
6. Names and qualifications of officers responsible for financial management, accounting and internal audit.
7. Description of information technology facilities and computer systems in use and
8. Copies of the minutes of negotiations, the Project design document, the annual work programme and budget and the letter to the borrower/recipient.

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

The Auditor shall provide:

* **A separate Opinion on Project Financial Statements (PFS)**
* Minimum content of the PFS:
1. Annual and cumulative statements of sources and application of funds, which should disclose separately IFAD funding (original loan, additional loan, grant and additional grant), beneficiaries funds counterpart funding &/or other donors funding;
2. Statement of sources and application of funds.
3. Annual and cumulative SOEs by withdrawal application and category of expenditures; reconciliation of the SA.
4. Reconciliation between the amounts shown as received by the Project and those shown as being disbursed by IFAD should be attached as an annex to the PFS. As part of that reconciliation the auditor will indicate the procedure used for disbursement (Advances, replenishment, special commitments, reimbursement or direct payment) and indicate whether the expenditure is fully documented or uses the Summary of Expenditures Format.
5. Notes accompanying the Financial Statements: Fixed assets and other relevant notes.
6. Cumulative status of funds by category
7. A statement of comparison between the actual expenditures and the budget estimates
8. Full disclosure of cash balances and
9. Other statements or disclosures relevant to the Project e.g. financial monitoring reports, credit lines / revolving funds, etc.
10. A note on government and beneficiaries in-kind contributions, measurement and disclosure.
* **A separate Management Letter** addressing the adequacy of the accounting and internal control systems of the Project, including compliance with IFAD’s Procurement Guidelines and such other matters as IFAD may notify the LPA to include in the audit.

The Auditor is requested to:

1. Comment on economy, efficiency and effectiveness in the use of Project resources;
2. Comment on achievement of planned project results;
3. Comment on legal and financial obligations and commitments of the Project and the extent of compliance or non-compliance thereof;
4. 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;
5. A specific set of comments in relation to the effectiveness of Revolving Fund and funds being received by the end beneficiaries;
6. Comment on other activities on which an auditor may consider it appropriate to report
* **The Auditor shall Certify**:
1. Whether the PFS are drawn up in conformity with international accepted accounting standards (IFRS or IPSAS)
2. Whether the PFS are accurate and are drawn up from the books of accounts maintained by the Project.
3. Whether the provisions of the Project Agreement are adhered to.
4. Whether Procurement of Goods, Works & Services have been undertaken by the Project in accordance with applicable procurement procedures and the IFAD’s Procurement Guidelines
5. Carry out a physical verification of any significant assets purchased and confirm their existence and use for Project purposes.
6. Whether the Project has an effective system of financial supervision or internal audit at all levels including Revolving Fund activities.
7. Whether the expenditure claimed through SOEs are properly approved, classified and supported by adequate documentation.
8. That the Auditor is a member of the International Federation of Accountants (IFAC).

**1.2 Subject of the Engagement**

The subject of this engagement is the financial statements of the year 2019 **(for the financial year ending December 2019 both** for the **IFAD Loans:** 2000001842 **Montenegro and ASAP Grant:** 2000001841 **Montenegro.** 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 Project in Financial Statements have occurred, and are accurate and eligible.

**1.3 Reason for the Engagement**

The **PCU/ RCTP** Service Provider LPA is required to submit to IFAD an Audit Report produced by an external auditor under article (IX) of the General Conditions for Agricultural Development Financing.

**1.4 Engagement Type and Objective**

This constitutes an engagement to perform specific agreed-upon procedures following the IFAD Guidelines on Project Audits provided to the Auditor by the LPA in Annex 1 of this ToR. The objective of this audit is for the Auditor:

* To verify that the expenditures claimed by the Project in the financial statements for the activities covered by the Agreements have occurred (‘reality’), are accurate (‘exact’) and eligible and to submit to the LPA 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 and
* To submit a report of factual findings with regards to the agreed procedures performed.

**1.5 Scope of Work**

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

- In accordance with the International Standard on Audit (ISA) including ISA 701 and subsequent changes introduced. The audit will be carried out based on the professional judgement of the auditor on the extension of tests and controls to apply, and 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, the Contracting Authority 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.

1.5.2 The Terms and Conditions of the Agreement

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

1.5.3 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 at 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.

**1.6 Extended scope:**

The auditor is expected to review overall compliance with relevant parts of the Finance Agreements and Operation Manuals:

1.6.1 Select a representative sample of expenditures and carry out the following detailed tests:

1. Determine whether advances of funds were justified with documentation, including reconciliations of funds advanced, disbursed, and available. The auditor must ensure that all funding received by the recipient were appropriately recorded in the recipient’s accounting records and that those records were periodically reconciled with information maintained in the main project records.
2. Review procurement procedures to determine whether sound commercial practices, including competition, were used, reasonable prices were obtained, and adequate controls were in place over the qualities and quantities received.
3. Review goods and works procured to determine whether they exist or were used for their intended purposes in accordance with the terms of financing agreements, and whether control procedures exist and have been placed in operation to adequately safeguard them. As part of the procedures to determine if they were used for intended purposes, the auditors should perform end-use reviews for an appropriate sample of all items based on the control risk assessment. End-use reviews may include site visits to verify their existence or their use for their intended purposes in accordance with the objectives of the project. Questionable items must be quantified and reported.
4. Review technical assistance and services procured to determine whether they were used for intended purposes in accordance with the terms of financing agreements. The cost of technical assistance and services not properly used in accordance with terms of financing agreements must be quantified and reported.
5. Review revolving fund to determine whether they were used for intended purposes in accordance with the terms of financing agreements. The loans issued through revolving fund these are not properly used in accordance with terms of financing agreements must be quantified and reported

1.6.2. As part of the procedures to determine if funds provided were used for intended purposes, the Auditor should carry field visit to perform end-use reviews for an appropriate sample based on the control risk assessment.

**1.7 Reporting**

The report on this audit should describe the purpose of the engagement in sufficient detail in order to enable the LPAand the Contracting Authority (IFAD) to understand the nature and extent of the procedures performed by the Auditor. Use of the financial and audit reporting is compulsory as governed by IFAD rules including public disclosure of the audit report and financial statements. The Management Letter is not covered by the public disclosure.

1.7.1 **Periods Covered**

The reports on this audit should cover the following:

1. IFAD Loan 2000001842 Montenegro and ASAP Grant 2000001841 Montenegro for the Rural Clustering and Transformation Project (RCTP) for the financial year ending 31 December 2019.

Reports must be delivered by the LPA to IFAD within three months after the end of the respective fiscal year.

The initial contract is for the fiscal year 2019 (from 1/1/2019 to 31/12/2019), with possible extension subject to satisfactory performance provided by IFAD.

This **Request for Expression of Interest** will lead to the selection of one of the Shortlisted firms.

For evaluation of the expressions of interest the following criteria will be applied:

 **points**

1. **The firms past experience and performance on comparable international donors funded projects**
* Total points for criterion (I) (15)
1. Adequacy of the proposed methodology and work plan in responding to the Terms of References
2. Explanation of audit methodology (10)
3. Audit timelines/schedules/continuity of staff (15)

**Total points for criterion (II) (25)**

1. **Key professional staff qualifications and competence for the assignment:**
2. Engagement partner (25)
3. Engagement manager (20)
4. Senior Auditor (15)

Total points for criterion (III) (60)

 **Total points for the three criteria:**  **100**

The minimum technical score required to pass is: **(75) seventy-five** points

**Technical and Financial offers are weighted in the next manner:**

**Technical offer- 80%**

**Financial offer- 20%**

Interested firms may obtain further information at the address maja.vukasevic@mpr.gov.me during office hours from 07:00 to 15:00 hours from Monday till Friday.

**DELIVERY OF OFFER**

The deadline for submission request for expressions of interest for the selection of firms for audits is no later than 27.11.2019. by 12:00.

**Process and evaluation of the expressions of interest:**

The Ministry of Agriculture and Rural Development invites selected firms to submit their evidence on the fulfilment of the selection criteria to the Archive at the following address:

**Ministry of Agriculture and Rural Development, for RCTP project**

**Rimski trg 46, 81000 Podgorica**