# ANNEX A

# Terms of Reference for PROJECT audit

**I. Introduction**

DFID launched Multi-year Humanitarian Programme (MYHP) in 2015 to help provide humanitarian support to some of the most vulnerable people in Pakistan, including through both immediate relief and early recovery interventions.

The programme was designed to provide immediate response and early recovery assistance for the people with greatest humanitarian needs following emergencies in Pakistan; and contribute towards strengthening the capacity of government and communities to manage risks faced by disasters, reducing peoples’ vulnerability. As result, most vulnerable people affected by disasters have access to timely, appropriate and good value humanitarian assistance.

The programme follows multi-sectoral approach and is implemented through the consortium of five organizations, led by International Organization for Migration **(IOM)** and including Agency for Technical Cooperation and Development **(ACTED)**, [Food and Agriculture Organization of the United Nations](http://www.fao.org/) **(FAO)**, Health and Nutrition Development Society **(HANDS)**, United Nations Children’s Fund **(UNICEF).**

IOM in its role of Secretariat is responsible for: general oversight, coordination (internally and externally with strategic government counterparts and other stakeholders), information management, monitoring, output tracking, consolidation of reports from all members and direct liaison with DFID. The management structure is light, efficient and enabling, ensuring necessary oversight and coordination while allowing for rapid response and flexibility to adapt mechanisms and delivery approaches as needed.

Consortium members are responsible to manage/implement their respective activities and ensure appropriate levels of participation in sub-groups established by the consortium, and operate in an accountable, transparent and standards-based manner. IOM, UNICEF and FAO will provide technical guidance for their sectors of expertise (Shelter, WASH and FSL, respectively), with the aim of consolidating best practices for each sector into integrated programme planning. The MoU was signed in July 2015, with subsequent extension in 2019 and the program is scheduled to end in July 2020.

As the activities come to a close, IOM wishes to engage the services of an audit firm for the purpose of auditing of two implementing partners, in order to assess compliance with required standards of implementation and related policies, as a means to provide assurance that the project was being managed as intended and to assure DFID resources were used for intended purposes only.

The audit shall be carried out in accordance with international audit standards issued by The International Auditing and Assurances Standards Board (IAASB). The audit shall be carried out by an external, independent and qualified auditor (Certified Public Accountant/Authorized Public Accountant).

**II. Objectives and scope of the audit**

The objective of thisauditis to provide an opportunity to uncover the issues, concerns and challenges encountered in the implementation, execution and closing phases. This review will also provide an opportunity to learn what elements of the project were successfully managed and which ones presented some challenges. This will help identify what needs to be done so that mistakes are not repeated on future projects.

The audited period will cover the last two fiscal years in relation to financial reporting and financial information, including final financial statements where applicable. The auditor will prepare reconciliation between the amounts shown as received by implementing partners from IOM/DFID and that confirmed as being disbursed by IOM/DFID. As part of that reconciliation, the mechanism for the disbursement will be indicated. For other compliance criteria, the coverage could be expanded as needed to obtain sufficient relevant evidence.

The audit will determine and assess key compliance attributes based on the Cooperative Agreement, Framework Agreement and Annexes, as well as compliance with the organizations and any applicable laws and regulations, to issue an opinion on:

1. The systems and processes created to support the acquisition and management of resources (financial, human and capital resources) in a rapid implementation context
2. Governance, controls and safeguards
3. Financial compliance, reporting accuracy and timeliness

In detail, the following aspects needs to be assessed:

* 1. Ascertain whether proper accounting records have been maintained;
  2. Enable an understanding of the accounting and internal control systems, and existing internal control arrangements exercised by the implementing partners;
  3. Confirm whether fund utilization has been consistent with workplans (by reference to workplan outputs – reports, workshops, etc);
  4. A sufficient budgetary control system is in place to monitor actual expenditure against budget lines on a regular basis and to take effective remedial action as necessary;
  5. The existence and implementation of adequate segregation of duties in the maintenance and review of accounts and the performance of reconciliations;
  6. Ensure no funding from one source of income have been recorded and accounted for more than once;
  7. All necessary supporting documents, records, and accounts have been kept in respect of all programme activities. Clear linkages should exist between the books of account and reports presented to IOM/DFID;
  8. Assess the adequacy of the systems and controls as a basis for the preparation of programme progress reports to IOM/DFID; and
  9. Records of transactions to include accurate information regarding any variations in currency exchange rates, where relevant.

**III. Audit Methodology and Duration**

The audit will start immediately after signing the agreement and will be finalized based on the following schedule:

Phase 1:

* Planning (7 days)
  + Research and Familiarization (2 days)
  + Consultations (parallel, ongoing, as needed)
  + Risk and Financial Analysis (2 days)
  + Questionnaire Development (2 days)
  + Audit Procedures including Sample Selection (1 day)

Phase 2:

* Field Work (10 days)
  + Apply audit procedures:
    - Interviews;
    - Documentation Review;
    - Controls and Systems Testing within the scope;
    - Findings and Observations Documentation.

Phase 3:

* Reporting (12 days)
  + Report Development
  + Outstanding requests Follow-up and Closure
  + Report Review, Approval and Final Release

**IV. Audit Outputs - Report/management letter**

The auditor shall submit an audit report, after review of the draft by IOM, which shall contain the audit findings made during the audit process. The report shall contain details regarding the audit methodology and the scope of the audit.

The report shall contain an assurance that the audit was performed in accordance with international standards and by a qualified auditor.

The auditor shall make recommendations to address any weaknesses identified. The recommendations should be presented in priority. More specifically, the reports should include:

* Any recommendations to improve financial management, procurement practices, reporting and control including project specific attribution;
* Implementing partner’s management comments on the findings and recommendations (management comments should be requested within two weeks after preparation of the draft reports); and
* Check if the recommendations made in any recent internal audit report have been followed up.

As defined under the scope, the audit reports will also:

* Give comments and observations on the accounting records, systems, and controls that were examined during, the course of the audits;
* Report on the degree of compliance with the financing agreement and give comments, if any, on the matters (internal/external) affecting such compliance;
* Communicate matters that have come to attention during the work which might have a significant impact on the implementation of the programme;
* Provide details of any potential fraud or corruption identified during the work performed. Provide details of fraud or corruption incidents identified during the period under review and the value of possible losses (Compliance with UK Bribery Act); and
* Bring to the attention of IOM and DFID any other matters that the firm consider pertinent.

The report shall be written in English and be presented to IOM Pakistan and one digital PDF version for onward transmission to the donor.

If you have any further queries, please contact [amuhammad@iom.int](mailto:amuhammad@iom.int)