



## **Terms of Reference for Framework Agreement for Audit Services**

### **1 BACKGROUND**

#### **1.1 Information about the Embassy of Sweden in Maputo and the Swedish Development Cooperation**

The long-term objective of the development co-operation financed by Sweden is to contribute to poverty reduction. Sweden's development cooperation resources are funded through Swedish tax revenue. The Swedish parliament makes decisions regarding the state budget, which includes the funds allocated to international aid. Sweden's government agency for development cooperation is the Swedish International Development Cooperation Agency (Sida).

The Strategy for Sweden's development cooperation for Mozambique (at present 2022-2026) is set by the Swedish government. The contracting part is the Embassy of Sweden in Maputo. The yearly budget for development and research cooperation in Mozambique amounts to approximately 65 MUSD for Sweden. Grant agreements for Sweden's development cooperation contributions in Mozambique are signed with partners such as NGOs, Universities, Government agencies and international bodies like UN agencies and the World Bank.

Besides internal control and aid efficiency, the fight against corruption within the Swedish Development Cooperation is one of the top priorities. The Embassy and Sida investigate all suspicions of corruption or irregularities and always take action whenever necessary. Important tools in

Sweden's anti-corruption work are transparency, partnership, dialogue, monitoring, audits and forensic investigations.

For more information, please see [www.sida.se](http://www.sida.se) and [www.swedenabroad.se/maputo/](http://www.swedenabroad.se/maputo/)

## 1.2 Audit of Projects and Programmes

The responsibility to have operations audited rests with the partner organisation. In all project and programme agreements it is stated that the project/programme shall be audited annually. An external, independent and qualified auditor shall carry out the audit.

In addition to the audits agreed upon with partner organisations, the agreements will grant the Embassy the right to commission audits and reviews for which the Embassy will be the contracting party. These could be in the form of standard audits and/or agreed upon procedures to carry out spot-checks of particular spending units or expenditure, investigative reviews in case of suspicion of corruption. In connection with the preparation of possible support to institutions and organisations, the Embassy might also commission an audit on the management systems and internal controls as part of the pre-appraisal of a possible contribution to institutions and organisations. Such pre-award audits form important parts of the assessment and give guidance to the design of the collaboration between the Embassy and the partner organisation.

In order to support the Embassy in Maputo in undertaking audits, the Embassy has decided to procure a Framework Agreement with three, or at least two companies, for rendering audit services on a call-off basis. For each call-off a separate Terms of Reference will be presented and agreed upon in accordance with the specific requirements within the specific project or programme.

The Embassy may also call-off advisory services and training sessions. This would generally include both the Embassy staff and the staff of our partner organisations. See further 3.1.

### 1.3 Number and type of audits to be undertaken

It is difficult to estimate the total number of audits to be undertaken annually under this Framework Agreement, but it is expected that it will be in total 5-10 per year. Audits could vary in length and complexity and may often involve travel within Mozambique and in the region. The work to be performed by the auditing firm will include other tasks than traditional financial auditing of projects and programmes, e.g. procurement audit, management audit, performance audit, capacity and systems audit, on the job training for institutions etc. This is further described below under “Scope of Work”. It should be noted that the Framework Agreement will not include any guarantees of volume of services to be required/ provided.

## **2 OBJECTIVES**

The objectives of the audit services are:

- (1) to undertake relevant audits of projects and programmes in a timely and professional manner in order to safeguard the use of the donor government funding, prevent, detect and investigate corruption cases, and ensure an efficient implementation of projects and programmes;
- (2) to assist the Embassy and counterpart institutions, authorities and organisations in building internal capacity relating to audit activities.

## **3 SCOPE OF WORK**

### 3.1 Duties of the Auditor

#### A. Assignments commissioned by the Embassy

The Auditor shall be prepared to and have the capacity to carry out the following main types of assignments:

- a) Financial Audits in order to examine the quality of internal controls and to attest to the accuracy and veracity of the financial statements, if they are true and fair. For individual projects, this may include examination of project or programme specific expenditures and financial reports submitted by the partner organisation. The Audits are based on International Standards of Audit as well as Agreed upon procedures.

- b) Efficiency Audits in order to review of whether the organisation has the capacity, resources and competence to achieve its goals and whether the financial management is sound. This includes areas such as human resources, recruitment processes, management structure, governing documents such as visions and strategies, internal control, etc. The efficiency audit involves an organisational analysis that is based on a broad review and assessment of the core functions of an organisation. The analysis shall lead to an assessment of the systems with recommendations and suggestions for improvements, where applicable. An efficiency audit is usually commissioned after the implementation has commenced.
- c) Review of Internal Control in order to review areas like for example management and organisation, risk management, anti-corruption, audit, procurement, financial management and if applicable, forwarding of funds. Focuses on routines and processes within these areas and mainly on the management of Sida funds. The Review of Internal Control may for instance be used as a part of Sida's Pre-Award Assessment in order to examine whether the (potential) partner organisation's planned activity can be expected to be successfully pursued and that granted funds will be utilized in an accountable and transparent manner.
- d) Procurement Audits in order to review the procurement procedures and compliance to procurement regulations and eventual other documentation guiding the procurement processes. Areas of review are for example contracting, contract management, administration processes, etc.
- e) Procurement Support in order to provide support to the Embassy and its implementation partners in procurements of goods and services during procurement procedures and compliance to procurement regulations and eventual other documentation guiding the procurement processes. Areas of support include, for example, tender documents, technical and financial evaluation procedures and contract documentation.
- f) Performance Audits (Value for Money Audit) in order to examine how well the partner organisation has achieved its goals (goal fulfillment), the relationship between resources used and results (cost efficiency), or how well the results contribute to the impact the organisation wishes to achieve (appropriateness).

g) Investigative and Forensic Audits in order to investigate if funds within the Swedish development cooperation are affected by irregular or fraudulent activities, and to establish any breach of the agreement, misuse of funds, use of eligible costs etc. The approach to any forensic audit must be such that if fraud is detected, appropriate disciplinary and legal action will be considered by the Embassy and Sida. Any evidence of corruption and other supporting papers shall be in an appropriate format from the Consultant for use by the appropriate authorities.

h) Other types of audit related services as part of the Embassy's financial monitoring, including spot checks of spending units, physical checks of assets and infrastructures, expenditure verification, and review of forwarding of funds mechanisms.

i) Assist on an ad-hoc basis in less complicated audit advice that can be given by telephone or e-mail within 24 hours.

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

#### B. Internal/external Capacity Building and Advisory services

Whereas the Embassy may initiate certain audits, it also receives a number of audit reports from its development co-operation partners as well as investigative reports in the case of suspicion of corruption. With respect to such audit reports, the scope of work will include providing expert advice to Embassy staff in assessing reports, drawing conclusions from reports and proposing actions to be taken. The Auditor may be requested to provide training and advice for Embassy staff as well as for partners, for instance on audits, on risk awareness and risk management, and on data analysis. Advisory services in value for money/budget assessments and the design of Terms of Reference for audits may also be included.

## **4 COMMISSIONING OF AUDITS, REPORTING AND DOCUMENTATION**

Combined call-off order

Call-off orders are implemented through a combination of a fixed ranking system and renewed competitive tendering.

Call-off orders equal to or below 160 hours is implemented through a ranking system. When calling-off, the top-ranked framework agreement supplier (in the ranking system) shall be selected. The top-ranked supplier is obliged to respond to the call-off enquiry within two (2) working days from receiving the call-off inquiry. Thereafter, the supplier shall within four (4) days present a work plan including staffing of the assignment. If the supplier ranked as number 1 fails or declines to answer the call-off, or is not answering within the above time limits, the Embassy is entitled to send the call-off inquiry to number 2 in the ranking list and so on.

The supplier shall inform the Embassy and decline the assignment if there is a conflict of interest for the supplier to undertake the assignment.

If the Embassy assesses that the proposal does not meet the must requirements specified in the call-off inquiry, the Assignment may be moved on to the next Consultant in the ranked order.

Call-off orders above 160 hours is implemented through renewed competitive tendering. The call-off enquiry is issued to all suppliers contracted through framework agreements.

The auditor shall convene entry meetings with the Embassy in the start-up of the assignment and exit meeting in the closing of field work. The auditee shall be invited unless otherwise agreed with the Embassy. The auditor shall be ready to report to the Embassy during fieldwork, in order to establish if ToR and subsequent budgets need to be adjusted to fulfil the objectives of the assignment in a timely manner.

Subsequent to every audit, reports in English shall be submitted to the Embassy. Reports shall be sent to the auditee as agreed with the Embassy. A soft copy of the draft report shall be submitted to the Embassy within the time limits specified in the specific call-off contract. Within the time limits specified in the call-off contract, or latest within two weeks of receiving comments on the draft report, a final version of the report shall be submitted, including a soft copy to the Embassy and - unless otherwise agreed - to the audited organisation.

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

On a yearly basis the auditor shall if requested by the Embassy, provide a report to the Embassy summarizing the major general findings from the various audits undertaken, as well as summarize training, advice and other support provided to the Embassy. This is to give the Embassy an overview of common features. Annual meetings will be held with the Embassy to follow-up on the Agreement between the parties.

## **5 PROFILE OF THE CONSULTANT FIRM AND STAFFING REQUIREMENTS**

### **5.1 Compulsory**

In order to be able to carry out the different types of audits relevant resourcing must be made in accordance with the specific ToR for each assignment. Concerning financial audit assignments, the Consultant shall always appoint an authorized public accountant in accordance with international standards.

The consultant team for Forensic Audits shall always include consultants with extensive experience in forensic and investigative audits in an international context (at least 3 years).

The risk assessment and risk measures for staff/firm in performing the assignment falls entirely under the responsibility of the supplier. In the case of investigative and forensic audits, this may include considerations if resident experts can participate in the assignment and in what capacity.

The suppliers shall provide consultants with the levels of competence as described below.

#### **Level 1 consultant requirements**

- Master's degree in Economics or equivalent.
- At least five (5) years of relevant working experience in a senior position to assignments in the auditing sector that are relevant to the services being tendered for.
- Be Authorized Public Accountant/Chartered Accountant or equivalent.

- At least five (5) years of experience as signing auditor.
- Have at least three (3) years of international experience in investigation work within several jurisdictions; for example, but not limited to, international development cooperation or other non-profit operations.
- Have been responsible for and/or carried out at least five assignments in the last five years with relevance to auditing donor funded projects or programmes in development cooperation and the services being tendered for.
- Very good skills in English, equivalent to at least level two (2) according to the language level definition.

#### Level 2 consultant requirements

- At least a bachelor's degree in Economics or equivalent qualification.
- At least three (3) years of relevant working experience in a senior position to assignments in the auditing sector that are relevant to the services being tendered for.
- Have at least one (1) year of international experience in investigation work within several jurisdictions; for example, but not limited to, international development cooperation or other non-profit operations.
- Have participated in at least three assignments during the last three years within the Finance/accounting/Auditing Sector and the services being tendered for.
- Very good skills in English equivalent to at least level two (2) according to the language level definition.

#### Level 3 consultant requirements (Legal expert)

- Master's degree in Law.
- At least three (3) years of professional experience in legal investigation work.



- At least three (3) years of experience in investigation work within an international context; for example, but not limited to, international development cooperation, other non-profit operations, or investigation experience of international financial transactions and cases within several jurisdictions.
- Very good skills in English, equivalent to at least level two (2) according to the language level definition.