

**Terms of Reference for Consultants Performing Internal Audit  
Of the Embassy of Ireland, Ethiopia**

**Financial Year Ended 31 December 2016**

**1. Introduction**

The Department of Foreign Affairs and Trade of the Government of Ireland is the Department with responsibility for promoting Ireland's interests and values abroad. The Department has 79 Embassies and Missions around the world including 11 Embassies in Africa. Most of the Embassies in Africa have overall local responsibility for the management of an Overseas Aid Budget. A division of the Department – Development Co-operation Division (DCD) has overall responsibility for management of the aid budget. For the purposes of budgeting in Ireland the Department is funded under two votes – Funding for Overseas Aid is provided under Vote 27 and funding for the diplomatic and other activities of the Department is provided under Vote 28. From 2015 all funding for missions in Africa is provided from Vote 27.

For the purpose of these Terms of Reference the following will be used:

“The Department” refers to the Department of Foreign Affairs and Trade (DFAT)

Development Co-Operation Division (DCD) is the Division of DFAT responsible for the management of the official bilateral aid programme of the Government of Ireland.

“Irish Aid” is the common or brand name given to the official aid programme. Sometimes may be used instead of DCD.

“The Embassy” refers to the Embassy of Ireland in Ethiopia

The Embassy of Ireland – Ethiopia is responsible for delivering the objectives of the Embassy Business Plan. This plan includes Ireland's developments commitments to Ethiopia and providing consular services. Irish Aid Ethiopia Country Strategy Paper reflects and supports the country's growth and development strategy through projects fully funded by Irish Aid or jointly funded with other donors. Ireland also supports a number of programmes managed by international and local non-governmental organisations (NGOs), government, and pooled funding with other development partners. Bilateral agreements exist between the Governments of Ireland and Government of Ethiopia to support development in the country. Irish Aid supports interventions in a number of areas, including Agriculture and food security, nutrition, household resilience and governance.

The External Auditor of Irish Aid is the Irish Comptroller and Auditor General. All other auditing is internal auditing and is commissioned by the Evaluation and Audit Unit of the Department of Foreign Affairs and Trade (the Department). **An internal audit of all its offices is contracted separately and on an annual basis for each of the partner countries, to a firm of auditors usually resident in the country.** These terms of reference apply to each of the internal audits to be conducted under this arrangement. Irish Aid will appoint an auditor for three years and a contract will be signed annually based on yearly performances.

Irish Aid operates SunSystem across the Partner countries. Each country maintains a separate database of their transactions. This audit is an audit of the SunSystem database for Embassy of Ireland, Ethiopia as well as an audit of adherence to DCD's policies and procedures as articulated in the:

- **Financial Policy, Guidelines and Procedures Manual**
- **Procurement Procedures**

The above documents must be studied by the Consultant Auditors before commencing the planning or implementation of the audit. In addition, the Consultant Auditors should read the document "**Irish Aid Audit Policy in the Embassy including all Programme Countries**". This is the underlying audit policy document of Irish Aid that is implemented by these TOR for the period of the audit. The Mission's risk register and risk identification and reporting systems should also be understood at the planning stage of the audit.

## **2. Objectives and purpose of the Internal Audit**

**This is an audit of the SunSystem database(s) maintained in each of the offices as well as an audit of adherence to Irish Aid's policies and procedures as articulated in the Financial Policy, Guidelines and Procedures Manual and the Procurement Procedures.**

The objective of the audit is to enable the auditor to express a professional opinion on whether the financial statements prepared by the Embassy present a true and fair view of the financial position of the Embassy, agree with the SunSystem records and whether the financial systems and internal controls comply with the Financial Policy, Guidelines and Procedures Manual and the Procurement Procedures.

**The purpose of the audit is to form an opinion on the financial statements of the Embassy and to ensure compliance with Irish Aid's Financial Policy, Guidelines and Procedures Manual and the Procurement Procedures** which have been prepared in line with the Irish Government's Department of Finance guidelines. The audit will be performed in accordance with the International Standards on auditing as promulgated by the International Federation of Accountants and will include such tests and auditing procedures as the auditor considers necessary under the circumstances. **The auditor will sign a declaration to confirm compliance with these stipulations and all other provisions of these Terms of Reference.**

The audit is conducted as part of the overall work programme of the Departments Internal Audit function with the objective of providing assurance that the accounts of the Embassy provide a true and fair view and that internal controls at the Embassy are appropriate and functioning. The audit forms part of the body of work that the Irish Comptroller and Auditor General rely on in forming his or her opinion on the accounts of Irish Aid as a whole. All audits are also subject to the scrutiny of the independent Audit Committee of the Department of Foreign Affairs and Trade.

### 3. Scope of Audit

The scope of the Internal Audit will be an audit of the Embassy of Ireland, Ethiopia. The audit is of all transactions recorded on the SunSystem for the Embassy from January to December 2016. Supporting documentation for any sub office transactions may be maintained at that sub office and must be included in the audit. Any other accounting system maintained by any Irish Aid sub office is a memorandum system only and does not reflect the accounts of Irish Aid to be audited. The audit will also include an assessment over the controls in place to monitor expenditure, including programme grants disbursed to partners during the year.

The supporting documentation for transactions originating in Ireland is maintained at headquarters in Ireland and is audited by the Department's Evaluation and Audit Unit and the Irish Comptroller and Auditor General. The scope of the audit in relation to these transactions is to ensure they are correctly treated in the Embassy records according to the Department's Accounting policies and procedures. The scope includes proper posting and clearing of Balance Sheets Accounts.

Any **material** variance from SunSystem and/or the Policy, Guidelines and Procedures Manual and/or the Procurement Procedures which impacts on the true and fair view of the financial position as presented in the financial statements will be reported in the opinion of the auditors. Any non-material issue will be reported in the management letter. The level of materiality for a particular audit shall be as deemed reasonable by the auditors in the particular circumstances. However, any disagreement arising between the auditor and Embassy of Ireland on the materiality of a particular finding must be discussed with the Department's Evaluation and Audit Unit.

In addition the auditors annually should specifically confirm that:

- a) Irish Aid funds have been used in accordance with the conditions of funding agreements, with due attention to efficiency and economy, and only for the purposes for which funding was provided.
- b) Bank accounts maintained for Irish Aid funds have not become overdrawn during the accounting period.
- c) Goods and services have been procured in accordance with Irish Aid's Procurement Regulations.
- d) The system of internal controls and risk management is operating effectively, with particular attention to organisation structure, authority levels, staff competence, accounting records and supporting documentation, separation of duties.
- e) there is compliance with the local regulatory system, with particular emphasis of payroll taxes, pension liabilities and VAT;
- f) There is an effective system of internal controls in place to prevent, or detect and correct, errors, misstatements and misappropriations. This includes monitoring arrangements to minimise financial risk on grants disbursed by the Irish Aid Programme
- g) Assessment of risks and Irish Aid's risk monitoring system to ensure funds are used for intended

purposes and that the risk of fraud is minimised

- h) Necessary financial reports in respect of project have been presented to and reviewed by the Embassy and decisions on disbursement of funds have been informed by this review.
- i) The financial statements have been prepared in the format required by Irish Aid.
- j) Embassy consular receipts are reconciled to bank lodgements and to the records of the number of visas and passports issued and agreed to reports sent to Ireland.
- k) Supporting documentation for any fixed asset (under the cash accounting system they are expensed in the year) transactions in the year are adequate and that the fixed asset register has been adequately maintained.
- l) All banks that have processed transactions on behalf of Irish Aid have been surveyed to ensure that any accounts in the name of Irish Aid, Embassy of Ireland or former names (such as Ireland Aid, Development Cooperation Ireland etc) have been included in the audit and the financial statements.
- m) The requirements for financial repayments, petty cash, imprest and internal loans have been complied with.

The auditor should plan the audit so that there is a reasonable expectation of detecting material misstatements in the accounts resulting from fraud or error or non-compliance with laws and regulations as may be necessary. If the auditor's suspicions are aroused, s/he must inquire into all the circumstances until satisfied. If material irregularities are discovered, they must be reported to the Head of Mission at the Embassy and to the Department's Evaluation and Audit Unit immediately.

In the audit of the Embassy, all transactions recorded on SunSystem irrespective of the project/programme for which they are beneficiary are within the scope of the audit. Transactions can be classed as direct expenditure or cash transfer of grants.

- Cash transfers of grants directly to a partner shall be audited to ensure that they were properly authorised in accordance with Irish Aid budgets and procedures, respective requirements and procedures were complied with, they were correctly received by the partner and there is appropriate confirmation of same on file.
- All other transactions are direct expenditure. This includes any payment made by Irish Aid for the purchase of goods or the supply of services or to any person or entity unless it is a cash transfer of a grant to a partner. Direct expenditure also includes all payments directly to suppliers of services or goods for the benefit of any partner, irrespective of the Irish Aid budget line to which it is to be charged. All such transactions shall be audited to ensure they comply with all Irish Aid procedures and as directed by these terms of reference. All such transactions form part of and are within the scope of the audit but care should be taken that such expenses are classified as direct expenditure and not as grants.

**All transactions on regional budget line clearing accounts and inter office clearing accounts are within the scope of the audit.**

#### **4. Irish Aid Accounting and Administration Procedures**

##### **4.1 Funding Mechanism**

The Irish Aid Programme is the official overseas aid programme of the Irish Government. It is an integral part of the Government of Ireland and is located in Development Cooperation Division (DCD) within the Department of Foreign Affairs and Trade. It is 100% funded by the International Co-operation Vote of the Government of Ireland budget. Irish Aid funds are administered through the Embassy of Ireland in Ethiopia (and in some cases supported by Irish Aid sub / provincial offices). The flow of funds is as follows:

- Funds are transferred from Development Cooperation Division (DCD) of the Department of Foreign Affairs and Trade, in Ireland to the Embassy's Euro bank account in Ethiopia
  - Any appropriations in aid (receipts) generated by the Embassy are refundable to the Irish Department of Finance. However, cash generated by such appropriations is retained by the Embassy and reduces the amount of funds transferred from Development Cooperation Division.
  - Funds transferred are also adjusted by the net expenditure incurred directly by DCD on behalf of the programme and by the expenditure incurred by the Embassy on behalf of DCD.
- Payments are made from the Euro bank account as follows:
  - Transfers to programmes, projects and consultants
  - Transfers to Irish Aid local currency bank accounts
  - Transfer to Irish Aid sub office bank accounts for local administration
  - Embassy administration expenditure
- Payments are made from the Embassy local currency bank account for local currency Embassy administration expenditure and transfer to the Irish Aid sub office bank account for local administration. In some cases, local currency accounts are also used for the purposes listed under euro accounts above.
- Payments are made from Irish Aid sub office local currency bank accounts for administration expenditure.
- Small petty cash expenditure for Embassy or sub office administration.
- On occasion expenditures are incurred for other Irish Aid offices.

## **4.2 Accounting Controls**

- Sun accounting system
- Budgetary control system
- Agreements with all partners including financial procedures, reporting and auditing.
- According to agreements some (but not all) partners are required to hold separate bank accounts for Irish funds
- All partners are required to maintain books of account that include all Irish funds
- Regular progress and financial reporting by the projects and the Embassy.
- Project evaluations/reviews
- Embassy accounting staff
- Internal audit process of Irish Aid, by programme accountants in other countries, internal audit by the Department's Evaluation and Audit Unit and audits by consultant auditors.
- Regular monitoring by the Embassy.
- Hierarchy of approvals/authorisations
- Reconciliation of Embassy and DCD clearing accounts on a quarterly basis.
- Preparation of monthly management accounts which are reviewed and approved by the Head of Mission.
- Monthly financial reporting to the Department's Finance Division.

## **4.2 Modified Cash Based Accounting**

In accordance with Irish Government accounting, expenditure is deemed incurred when payment is made. The Irish Aid accounting system is a modified cash accounting system, as there have been some accruals and prepayments entered to allow management to obtain better financial information.

## **5. Expected Deliverables**

### **5.1 Audit Report**

The audit report is intended for the information of Irish Aid, including the Evaluation and Audit Unit, all its offices, the Audit Committee of the Department of Foreign Affairs of Ireland and for the Irish Comptroller and Auditor General. The opinion expressed in the audit report will address whether:

- a) The financial statements present a true and fair view of the financial position of the Embassy of Ireland, Ethiopia (including any sub offices). In expressing this opinion, the auditor must consider whether proper accounting records have been maintained in each case, and whether the financial statements are in agreement with these records (comply with SunSystems).
- b) The financial systems comply with the financial procedures of Irish Aid as stated in the Financial Policy, Guidelines and Procedures Manual and the Procurement Procedures.
- c) If there is any material variance from SunSystem and/or the Policy, Guidelines and Procedures Manual and/or the Procurement Procedures which impacts on the true and fair view of the

financial position of the Embassy, it will be reported in the opinion of the auditors. Any non-material issue or systems compliance issues will be reported in the management letter.

- d) The auditor shall make a statement confirming they have complied with these terms of reference in the introduction to the management letter. In particular, they will confirm that they have complied with each of the points raised under section 3 above.

## 5.2 Financial statements

The financial statements **must** be prepared in the detailed format approved by Irish Aid HQ. In addition, attention is drawn to the following:

- a) An Income and Expenditure Statement (Euro) - from the Sun accounting system, showing income received and expenditure by budget line item, and comparative figures for the preceding year. The statement will also include expenditure incurred directly by DCD on behalf of the programme. The total trial balance in the SunSystem shall be included in the financial statements. This includes all expenditure by the Embassy and all grants from the Embassy to projects/programmes.
- b) Balance sheet as at the year-end. It should be noted that clearing accounts with other countries in which Irish Aid operates are balance sheet accounts. However all entries to these accounts are within the scope of the audit.
- c) Notes to the financial statements presenting:
  - Accounting policies.
  - Supplementary information as guided by the financial reporting format approved by Irish Aid HQ and any supplementary financial information or schedules in support of (a) and (b) above.
  - A schedule clearly analysing reported expenditure per programme/project by amount of grant paid in cash to the programme/projects and direct expenditure by the Embassy.

## 5.3 Management letter/Internal Control Letter

In addition to the audit report, the auditor will prepare a “Management Letter” for the Embassy of Ireland, Ethiopia. In all cases, a management letter **MUST** be issued. If no issues have arisen during the course of the audit, the auditors must issue a management letter stating that no issues have arisen. The management letter should:

- a) Give comments and observations on the accounting records, systems and controls that were examined during the audit;
- b) Identify specific deficiencies or areas of weakness in systems and controls, and make recommendations for their improvement;
- c) Report any variance from Subsystem and/or the Policy, Guidelines and Procedures Manual and/or the Procurement Procedures.

- d) Include management responses from Irish Aid line management to issues arising and recommendations made, ensuring that:
  - The auditors will bring matters to the attention of management as they arise and seek clarification and/or management's comments during the course of the audit.
  - Management responses should provide an explanation of the causes of the issue and a plan of action to address the matter
- e) Communicate matters that have come to the auditor's attention that might have a significant impact on the implementation of the programme.
- f) Refer to any other matters that the auditor considers relevant.
- g) The management letter must include a review of the issues raised in the previous year's management letter and a status report on progress/follow up achieved if applicable.
- h) Include a high, medium or low prioritisation on all issues arising in the management letters. Ranks should be allocated according to the following criteria:
  - A - a major weakness or a recurring issue that must be addressed soon
  - B - an important matter that will significantly improve the control environment, the accounting system or the operations of the business but is not so serious or prevalent as to be considered a major weakness
  - C - a minor (or isolated) weakness that should nevertheless be addressed to improve the control environment, the accounting system or the operations of the business.
- i) In the context of the audit the following items should be reported in the management letter and under NO circumstances should be included in the audit opinion
  - Variances in actual expenditure versus budgeted expenditure by budget line, where the total country expenditure does not exceed the amount approved by the IDC (as adjusted by the budget review committee in Dublin).
  - Small immaterial errors or differences

## **6. Time Frame and Irish Coordination with Auditors**

The Internal Auditor (or equivalent) at the Embassy will have the primary responsibility for coordination with the auditors and agreeing the timeframe for carrying out the audit and reporting deadlines. Management letters will in the first instance be sent to the Head of Mission, the Internal Auditor and to the Department's Evaluation and Audit Unit at HQ in Ireland.

A debriefing session will be held at the Embassy to present the key findings of the audit reports and to discuss any follow up action recommended. When appropriate<sup>1</sup> representatives of the Departments Evaluation an Audit Unit and Finance Division will participate in this meeting.

The auditors will respect the confidential nature of the exercise and will discuss it only with Embassy of Ireland or with others only as authorised by the Embassy.

## **7. Selection Criteria**

### **Technical**

- Understanding of the assignment, (5%)
- Methodology and approach, (10%)

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<sup>1</sup> Participation will depend on the nature of issues arising from the audit.



- Background, profile and experience of the firm, (15%)
- Experience on similar assignments with sample lists of clients, (15%)
- Number of staff with qualification including qualifications and experience of staff to be deployed to each assignment, (15%)
- Affiliation with an international audit firm, (10%)

## **Financial**

- The fee quoted (*showing hours and costs by grade*) as well as transparency around the fee structure. (30%)

## **8. Conflict of Interest**

Tenderers must disclose in their submissions details of any circumstances, including personal, financial and business activities that will, or might, give rise to any conflict of interest associated with any current or previous engagement/programme undertaken, or any relationship that may reasonably be perceived to potentially conflict or impact on their ability to participate in the Tender Process or fulfil the requirements of the engagement. This also includes any sub-contractor.

Failure to disclose a material conflict of interest may disqualify a Tenderer or cause the termination of any subsequent contract and entitle Irish Aid to seek remedies, such as cost or compensation for loss.

Where Tenderers identify any potential conflicts they should state how they intend to avoid such conflicts. Irish Aid reserves the right to reject any submission which, in the opinion of Irish Aid, gives rise, or could potentially give rise to, a conflict of interest.

Tenderers or any of their affiliates shall not be assigned any engagement which, by its nature, may be in conflict with another engagement of the applicant. Irish Aid may accept the participation of a consultant that has been engaged in the preparation of a project if it can be demonstrated that no unfair advantage is given to the consultant and that the tendering process offers equal opportunities to all Applicants. A declaration form (Appendix 1) must be signed to this effect

## **11. Tender Submission Instructions**

Bidders are directed to the Tender Notice on [www.e-tenders.gov.ie](http://www.e-tenders.gov.ie) (Irish Government procurement web based portal), local newspapers, and Embassy of Ireland Ethiopia website. <https://www.dfa.ie/irish-embassy/ethiopia/>

The full set of Tender documents including the Terms of Reference, instructions for submitting a Tender and associated documents are available with e-Tenders Notice and Embassy of Ireland Ethiopia website, <https://www.dfa.ie/irish-embassy/ethiopia/>

Tenders are invited subject to the specifications set out in the instructions and should be submitted in English

Bids are expected to be submitted by hand to the Embassy of Ireland Ethiopia, Kazanches (*behind Radisson Blu Hotel*), P.O.Box 9585, Addis Ababa Ethiopia. Technical and financial proposals should be submitted in separate envelopes.

The closing date for submission of hard copies to the Embassy of Ireland, Ethiopia is close of business 18<sup>th</sup> April 2017.

Requests for clarification will be accepted up to 7<sup>th</sup> April 2017 and can be communicated to [+ 251 11 5 180500](tel:+251115180500).

Alternatively, tenders may also be submitted electronically via the secure electronic post-box facility available on [www.e-tenders.gov.ie](http://www.e-tenders.gov.ie) (Irish Government procurement web based portal).

The closing date for electronic submissions to e-Tenders is Close of business 18<sup>th</sup> April 2017.

If applicants are experiencing difficulty in filing a tender electronically with e-tenders, please contact the Department of Foreign Affairs and Trade by email at [consultant.tenders@dfa.ie](mailto:consultant.tenders@dfa.ie) or call Maria Dowling Murphy on +353 61 77 4097.

Bidders are advised to allow adequate time for uploading documents and dispatch the electronic responses well in advance of the closing date to avoid any last minute problems.