

INDICATIVE TERMS OF REFERENCE (TOR) FOR

Audit Firm for Financial and Performance Audit of National Agricultural Technology Program –Phase II Project (NATP-2)

A. PROJECT OUTLINE

1 Introduction

National Agricultural Technology Program (NATP) is a three phases over 15 years long programme, designed to support the strategy of the Government of Bangladesh to improve national agricultural productivity, market linkage and farm income, with a particular focus on small, marginal and female farmers. NATP Phase II (NATP-2) supports research, extension and value chain programs/activities at field level. The Project Development Objective (PDO) of NATP-2 is to increase agricultural productivity of smallholder farms and improve smallholder farmers' access to markets in selected districts. The project development objective of NATP-2 will be achieved through: (i) strengthening the capacity of research, extension services and farmers to generate, adopt and diffuse agricultural technologies aimed at increasing farm productivity and reducing post-harvest losses; and (ii) promoting the sustainability of existing and newly created farmer groups and producer organizations (PO) by facilitating their stronger participation in commodity value chain, market-linkages, and improving their knowledge and skill base. Thus PDO will be achieved through the generation and release of more productive and locally adapted technologies, enhancing availability of quality seed/breeds/fingerlings/breeding materials at the small farm level and providing relevant production, value addition and marketing support.

2 Project Components

The NATP-2 project is comprised of five interrelated components details of which are described below:

Component I: Enhancing Agricultural Technology Generation

Agricultural Technology Generation component is being implemented by the Bangladesh Agricultural Research Council. The objective of this component is to generate innovative agricultural technologies and improve the performance of the National Agricultural Research System (NARS) by strengthening agricultural research institutions include technology generation, human resource development (higher studies and capacity building training) and research & training facilities development.

The component will support need based research of crops, fisheries and livestock. Agricultural research is central for technology generation which ensures food and nutrient security, adaption of climate change, diversification of agricultural productivity, conservation of natural resources, safe food and environment, postharvest processing, value addition and farm machinery, bio-security and bio-technology, and research-extension-farmers linkages.

NATP-2 technology generation component may include above areas after conditional revisiting previous prioritized areas for direct funding in subprojects delineated with: (i) competitive research grants (CRG) in support of smaller activities hosted with a recognized research provider (NARIs and non-NARIs), will be led by the qualified and awarded proponents; and (ii) program based research grants (PBRG) in support of a research program specific to a NARI, will be led by the awarded NARI.

Agriculture Innovation Fund (AIF) -1 grants would be used to cover total research cost. Selected research proposals will receive 100% AIF-1 grants; each GRC research proposal will get up to USD 74,300 (BDT 57.58 lakh) and each PBRG will get up to USD 500,000 (BDT 387.50 lakh) depending on the size and nature of the proposal.

Component II: Supporting Crop Development

Crop Development Component is being implemented by Department of Agriculture (DAE) and will contribute to achieving the PDOs by increasing farm yields, diversifying agricultural production, and improving market linkages for smallholder farmers. To that effect, a comprehensive program of activities will be implemented under this component that will be geared at: (i) improving the outreach and quality of crop extension and advisory services by strengthening the skills of public extension workers from DAE, promoting ICT in agricultural extension services, and supporting farmer-to-farmer extension; (ii) developing farmers' skills to scale-up the dissemination of Good Agricultural Practices (GAP) including those developed under NATP-1, as well as identifying technologies for a sustainable production of safer food, (iii) promoting farm and off-farm mechanization to increase efficiency in crop handling, reduce post-harvest losses and support processing; (iv) facilitating stronger collaboration with the private sector for agri-business development on agro-processing, market access for smallholders, as well as for the establishment of machinery hire-services; and (v) strengthening institutions involved in the crop subsector through capacity development and selected investments in infrastructure.

Component III: Supporting Fisheries Development

Fisheries Development Component is being implemented by Department of Fisheries (DOF) and will contribute to achieving the PDOs by promoting an integrated approach to achieve productivity, quality and output increases through technology transfer, as well as a better access to market opportunities for fish farmers. To achieve the PDOs, NATP-2 will provide support for the sustainable development of inland culture fisheries (small scale aquaculture ponds) and inland capture fisheries (open water fisheries in beel and haor). To achieve the component objective, the project will scale-up NATP Good Aquaculture Practices for the production systems prevailing in the project area, promote community-based fisheries management, support the participation of fisheries CIGs and Pos in value chains, reinforce research-extension-farmers linkages and strengthen the capacity of fisheries institutions. NATP-2 will further explore linkages with fishery activities under the on-going IFAD and USAID supported operations. The high degree of economic opportunities and benefits offered by the currently available and underutilized aquatic areas for aquaculture development, as well as the gender and nutrition dimension of fisheries, will be a major consideration for NATP-2.

In addition to capacity enhancement and institutional strengthening, this component will support a number of investments in support of further developing fish farming in the project area. These include investments for: (i) the promotion of specific fish production models involving improved fish varieties, (ii) the production of better quality fish seed, (iii) the introduction of appropriate fish feed, (iv) the application of relevant fisheries management tools, (v) the restoration of aquatic habitat, and (vi) the creation of more suitable market linkages for better access to markets and improved realization of value for the product. Through this component, NATP-2 will also invest in promoting climate-resilient and innovative aquaculture technologies.

Component IV: Supporting Livestock Development

Livestock Development Component is being implemented by Department of Livestock Services (DLS) and will contribute to achieving the PDOs by promoting an integrated approach to achieve productivity and output increases through enhanced technology transfer, service delivery, as well as a better access for livestock farmers to markets. To that effect, NATP-2 will focus on (i) strengthening livestock institutions (including food and feed safety and quality, animal health), improving livestock extension services, and reinforcing the linkages between research, extension and livestock farmers; (ii) scaling up outreach programs to reach out to a larger number of farmers; and (iii) facilitating the participation of smallholder farmers in selected livestock markets. To achieve significant and lasting productivity development in the dairy and beef sector, NATP-2 will focus on improving farm management (including animal nutrition, fodder production, animal health, improved animal husbandry practices, as well as marketing) and work towards strengthening the artificial insemination system in accordance with the national breeding programs. This component will also support better interaction between the Bangladesh Livestock Research Institute and Central Cattle Breeding Station and Dairy Farm; particular attention will be given to the need for synergies between BLRI's dairy program and the herd improvement program of the Breeding Station.

Under this component, NATP-2 will cover dairy farming, goat rearing, beef fattening, and poultry farming. Project activities will be implemented to help smallholders take advantage of emerging market opportunities. The component will also promote food and feed safety issues at various levels of the community value chain, particularly for meat and dairy products. Goat rearing and poultry farming are livestock activities that involve a large number of near landless farmers, in particular women. Opportunities are emerging for dairy farmers to take advantage of the increased demand from the dairy industry: IFC is facilitating the dialogue with dairy companies seeking to expand their operations and procure milk from NATP-2 dairy farmers. For goat and beef meat, the project will encourage community-level product aggregation, simple slaughter facilities, and market linkages through close collaboration with the private sector for further processing and marketing.

Component V: Project Management

Project Management Component is being implemented by the Project Management Unit (PMU) which will coordinate the activities under the direction and supervision of the Joint Project Steering Committee (JPSC). PMU will be responsible for the overall implementation of the project activities and support the realization of the PDO by ensuring that: (i) the project Annual Work Plan will be developed and implemented in line with the provisions in the official project documents (DPP, PAD, PIM, Extension Guideline, AIF Operational Guideline, etc.), in particular all fiduciary and governance aspects; (ii) interventions undertaken under the project are properly planned, coordinated and aligned with project design and development objectives; (iii) implementation arrangements and activities are in line with relevant fiduciary and safeguards policies, procedures and standards; (iv) liaison mechanisms established between the Bank and the project, as well as between the project and the GOB, concerning operation and management of the project; and (v) submitting progress/audit reports to the World Bank and Project Steering Committee in due time. PMU is headed by a full-time Project Director (PD) deputed from the Government Service. PD is assisted by a Deputy Project Director (DPD) also deputed from the Government Service. PD and DPD are selected from two different ministries (MOA and MOFL).

B. PROJECT OBJECTIVES

1. The overall objective of the longer term program (NATP in three phases over 15 years) is to support the strategy of the Government of Bangladesh (GOB) to improve national agricultural productivity, market linkage and farm income, with a particular focus on small, marginal and female farmers. The *Project Development Objective (PDO) of National Agricultural Technology Program – Phase II Project (NATP-2) is to increase agricultural productivity of smallholder farms and improve smallholder farmers’ access to markets in selected districts.*
2. The project development objective (PDO) of NATP-2 will be achieved through: a) strengthening the capacity of research, extension services and farmers to generate, adopt and diffuse agricultural technologies aimed at increasing farm productivity and reducing post-harvest losses; and b) promoting the sustainability of existing and newly created farmer groups and producer organizations by facilitating their stronger participation in commodity value chain, market-linkages, and improving their knowledge and skill base. Thus, the PDO will be achieved through the generation and release of more productive and locally adapted technologies, enhancing availability of quality seeds/ breeds/ fingerlings/ breeding materials at the small farm level and providing relevant production, value addition, food safety and marketing support.

C. RELEVANCE OF THE ASSIGNMENT WITH THE PROJECT

The assignment is relevant with the requirement of the project that as per government system line departments or ministries through the Internal Auditors carry out internal audits of various cost centers of Implementing Agencies. In Addition, Project Management Unit (PMU) will undergo annual operational review conducted by a private firm to cover systemic controls over expenditures under the NATP. Issues arising in the external and internal audits would need to be promptly addressed and acted upon in a timely manner by PMU.

D. OBJECTIVE OF THE ASSIGNMENT

The objective of the assignment is to find out project's compliance with legal financial requirements, verify supporting evidence (sufficient, relevant & reliable), comment on performance (economy, efficiency & effectiveness), indicating that all financial management activities of NATP-2 are attended and delivered in a correct and timely manner. In addition to this, the assignment will also verify that all budgeting, accounting/auditing and financial transactions of the project are being carried out as per GOB/WB financial guidelines/rules.

E. PURPOSE OF THE AUDIT

- (i) To obtain an independent opinion on the financial statements and investment of the resources in the most productive manner.
- (ii) To obtain management report from the Auditor highlighting the strength and weaknesses in the financial management and internal control system of the organizations/units (details are given in para 1 and para 2 of this TOR) including areas of improvement.

F. GENERAL SCOPE OF ASSIGNMENT

÷Auditorø will be responsible to Project Director (PD) of PMU, NATP-Project

Auditor' will audit on:

- (i) Financial management
- (ii) Training, demonstration, CIG related expenditure and operating cost
- (iii) PBRG and CRG sub-projects
- (iv) AIF-1, AIF-2 and AIF-3 Expenditure
- (v) Enhancement of Institutional Research Efficiency (EIRE)

Auditor' will audit at:

- (i) 5 (Five) Implementing Agencies (IAs)/units and their spending units outside Head Quarter
- (ii) Spending units (districts upazilas) of DAE, DLS, DOF
- (iii) PBRG and CRG sub- projects
- (iv) Other spending units

G. SPECIFIC SCOPE OF ASSIGNMENT:

- (i) Audit the books of account of Implementing Agencies of NATP-2 for the financial years 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21 or up to the end of the project. As part of the audit, the ÷Auditorø will examine the books of accounts retained at the office of Implementing Agencies, District, Upazila, PBRG & CRG sub- projects and their spending units outside Head Quarter. The ÷Auditorø will follow the Bangladesh Auditing Standards while carrying out the audit assignment.
- (ii) Verify the benefit of target members/groups against the expenditure made.
- (iii) Check the completeness and correctness, including booking the expenses to the proper account of the financial transaction.
- (iv) Check whether the funds were utilized efficiently and effectively for the purposes of Implementing Agencies of the NATP and all the expenditures were incurred properly as per implementation plan and budget.

- (v) Check whether the accounts, records, systems, documents and statements were maintained as required by the GOB and WB financial guidelines.
- (vi) Detect any irregularities in terms of cost, quality and documentation relating to financial management of this project.
- (vii) Check all the financial issues, which affect the financial position of NATP.
- (viii) Verification of the compliance of the GOB rules and regulations relating to financial management.
- (ix) Verification of fund received by PMU from WB for the project and distribution of fund from PMU to Implementing units during the period under audit and reconciliation with the information provided in the bank statement.
- (x) Verification of fund received by implementing units from PMU and distribution of fund from implementing units to Upozila/District/PBRG &CRG sub-projects during the period under audit and reconciliation with the financial information with the bank statement.
- (xi) Verification of contracts/agreements, if any.
- (xii) Physical verification of fixed assets which were procured under the project.
- (xiii) Check transactions whether those were in compliance with the budget, financial rules, financial guidelines of GOB and WB.
- (xiv) Check the provision for expenses (accruals), if any. Check whether the accruals are supported by adequate documents. The Auditor should also check the subsequent position of the accruals at the time of conducting the audit;
- (xv) Verification of purchases and check whether the procedures were followed as per financial rules of GOB and WB
- (xvi) Any other audit related activities as may be lawfully assigned by the Project Director of NATP-2

H. TRANSACTION VERIFICATION

- (i) Whether the expenditures are fully authorized;
- (ii) All expenses were booked under the appropriate account
- (iii) Arithmetical correctness of the accounting documents, vouchers and the financial statements
- (iv) Check advances to staff and suppliers and subsequent adjustment;
- (v) Check correctness of all the books of account, statements, reports, documents and booking of all incomes and expenses;
- (vi) Check all deduction for VAT, taxes, etc. from payments (where applicable) as per rules of the Government of Bangladesh (GOB) and DPP and whether those were duly deposited into GOB treasury;
- (vii) Check whether the financial statements are in agreement with the accounting record;
- (viii) Review the adequacy and effectiveness of control and monitoring system;

H. AUDIT PROCESS

Audit plan

- (i) ÷Auditorø will start their work every year in the 1st week of August
- (ii) PMU will arrange an entrance meeting with the Implementing Units and Auditorø to explain the activities of Implementing Units and provide necessary information relating to the project.
- (iii) PMU and the ÷Auditorø will prepare a timetable of the audit and the timetable will be signed both by PMU and the ÷Auditorø
- (iv) ÷Auditorø will provide letter of representation to PMU.
- (v) IUs and PMU will provide financial statements to the ÷Auditorø

Audit Report

- (i) The ÷Auditorø will submit 3 (three) copies of draft audit reports of Implementing Agencies to the relevant PIU Directors/ PMU Project Director with copies of all units to Project Director of PMU, NATP-2 project within 75 (seventy five) calendar days from the date of the entrance meeting.

K. EXIT MEETING FOR FINALIZATION OF THE AUDIT REPORT

- (i) The Implementing Units will prepare a response based on the observations and recommendation mentioned in the draft audit report.
- (ii) The Implementing Units will arrange an exit meeting with the ÷Auditorø to finalize the audit report within 10 (ten) days from the date of submission of draft audit report. One representative preferably Manager (Financial Management) will represent PMU in the meeting.
- (iii) The ÷Auditorø will submit draft consolidated comprehensive audit report to Project Director, PMU, NATP-2 project within 7 (seven) days after the exit meeting with Implementing Agencies.
- (iv) PMU will arrange exit meeting on the draft consolidated comprehensive audit report with the ÷Auditorø in the presence of PIU Directors/ / PMU Project Director to finalize the report.
- (v) The ÷Auditorø will submit 25 (twenty five) copies of the final audit reports within 15 working days from the date of the exit meeting. The ÷Auditorø will incorporate the response of the Implementing Units against each observation in the final audit report.
- (vi) The ÷Auditorø will also submit 15 copies of implementing unit wise audit report to the project Director of PMU, NATO-2 project.

L. QUALIFICATION AND EXPERIENCE

- (i) The audit assignment will be supervised and conducted by a qualified team involving personnel (FCA/ACA, ACA/CA Intermediate, CA Intermediate, Course Completed, Course Completed, Article Student etc.).
- (ii) The firm submitting EOI will have to provide experience certificate with company profile

M. REPORTING OBLIGATION

- (i) Auditor's report and all the necessary statement as required by the TOR.
- (ii) Management report based on the findings and recommendations
- (iii) The Management Report should include the following statements:
 - A statement containing account wise yearly budget and expenses according to the format of the Ministry
 - An executive summary highlighting the observation in a summarized form and
 - Copy of the minutes of the exit meeting.

N. REFERENCE OF DOCUMENT

The following documents are considered to be the basis for this review

- (i) DPP of the project
- (ii) PIM/AIF-1,AIF-2,AIF-3 Guidelines
- (iii) Annual budget
- (iv) Annual Working plan
- (v) Annual Procurement Plan
- (vi) GOB and WB financial guide lines
- (vii) PPR 2008 and WB procurement guideline
- (viii) Other documents as required by the Auditor

O. TERMINATION

- (i) This agreement can be terminated by either party serving written notice of 15 (fifteen) days prior to start of auditing activities of concerned year;
- (ii) The CLIENT can terminate the contract with any notice in the following cases;
 - (a) If the auditor cannot fulfill any of the clauses of Terms of Reference;
 - (b) If the auditor cannot submit their reports within the time and deliverables specified in paragraph 6 of this terms of Reference.