



## Terms of Reference

for

Seeds for Resilience Project Partner Audits



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## PART A

Terms of Reference (TORs) - Initial Audit of 5  
genebanks participating in the Seeds for  
Resilience Project



## **Part A – Terms of Reference (TORs) - Initial Audit of 5 genebanks participating in the Seeds for Resilience Project**

### **1 INTRODUCTION**

The Global Crop Diversity Trust (<https://www.croptrust.org/>) is an international organization with headquarters in Bonn, Germany, whose mission is to ensure the conservation and availability of crop diversity for food security worldwide.

The Capitalisation of the Endowment Fund of the Global Crop Diversity Trust and Strengthening of National Seedbanks Project aims to empower national seed collections documenting and managing them appropriately for conservation and use, and promoting their use, as a basis for climate adaptation of vulnerable African cropping systems.

The project is supported by the Federal Republic of Germany through KfW and is conducted in Ethiopia, Kenya, Zambia, Ghana and Nigeria to support National Seedbanks managed and supervised by ministries or national research organizations.

The focus of this project are the National Seedbanks and not the umbrella ministries or national research organizations under which they are hosted. Annexes 2 and 3 outline the project's budgets for each National Seedbank.

### **2 OBJECTIVE**

The Global Crop Diversity Trust is looking for an independent auditor (“the auditor”) with the required professional competence and experience and in accordance with the appropriate standards to:

- a) audit the capacity of the national genebanks participating in the project to effectively, economically and efficiently manage and account for the resources that will be availed to them under the project in full compliance with Crop Trust and KfW requirements; and
- b) where capacity gaps and weaknesses have been observed, recommend actions to be undertaken and propose the form of support the Crop Trust may provide to realize the project's long-term goal of empowering national seed collections by safeguarding them in perpetuity through an endowment fund.

### **3 SCOPE**

The audit will entail a systematic examination and review of aspects including organization of the genebanks<sup>1</sup>, their policies, procedures, structures and internal control systems to verify the extent to which they can effectively, economically and efficiently manage and account for

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<sup>1</sup> Note that the genebanks are not separate legal entities from their umbrella Government Ministries, Departments or Institutes. They are “units” within these entities. They are however identifiably separate and are allocated specific personnel, financial and other resources in order to conduct activities typically performed by genebanks. These units are what Crop Trust is supporting through this project.



the resources that will be availed to them under the project, in full compliance with Crop Trust and KfW requirements during and after the project period.

The audit will be carried out in accordance with International Standards of Auditing and will include such tests and controls as the auditor considers necessary under the circumstances.

The auditor is required to plan, execute and report on the engagement to form a professional judgment on the matters including but not limited to genebanks' principles of orderliness (financial regularity); existence, adequacy and effectiveness of their internal control systems; capacity to conform with the project objectives and adhere to contractual obligations; and economical conduct of business and effective use of financial resources (*Please refer to Annex 1*).

In conducting the audit, the auditor should pay particular attention to:

- a) Setup of the Seeds for Resilience Project as an identifiable separate auditable cost center within the umbrella institute's accounts to facilitate preparation and maintenance of the project's accounts and financial reports.
- b) The extent to which external funds have been used in accordance with the conditions of various project agreements and for the purposes for which the funding was provided and that procurement best practice has been observed in the any procurement for goods and services.
- c) Where counterparty funds apply, if they have been provided and used in accordance with the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided.
- d) Where goods and services are included in the project, the extent to which they have been procured following best practice.
- e) That all necessary supporting documents, records, and accounts are kept in respect of all projects and that clear linkages exist between the genebank's books of accounts and reports presented to various donors.
- f) That genebank's accounts have been prepared in accordance with consistently applied International or National Accounting Standards and give a true and fair view of the financial situation of the genebank and of resources and expenditures for respective periods.

#### **4 FINANCIAL STATEMENTS**

The institutions hosting the genebanks to be audited have been in existence long enough to have, at a minimum:

- a) as applicable and as necessary in line with national legislation, audited Financial Statements of the parent organization,
- b) audited accounts and accounting records for the past three years<sup>2</sup>,

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<sup>2</sup> To the best of our knowledge, the status of latest available audited accounts for the five genebanks are as below:

- a) Kenya – DRAFT Audited Financial Statements for year ended 30 June 2019
- b) Ghana – Audited Financial Statements for year ended 31 December 2019



- c) management letters summarizing previous institutional and project audit findings and recommendations thereon,
- d) project reports including financial reports on other donor-funded projects,
- e) donor contracts, statements of governmental subventions, grants and budgetary allocations and allotments,
- f) interim Seeds for Resilience Project financial statements<sup>3</sup> and
- g) any additional information required,

to help the auditor obtain the necessary understanding of the host institution, its performance and compliance issues that it has experienced in the past two to three years to be able to give an opinion. Discrepancies, qualification or unavailability of the above should be reflected in the auditor's opinion.

Further, since Crop Trust has made disbursements for the 2021 budget to all partners, the genebanks will prepare and present interim financial statements.

## **5 AUDIT OPINION**

The auditor's opinion will specifically address four key areas namely orderliness (financial regularity); existence, adequacy and effectiveness of internal control systems; capacity to conform with the project objectives and adhere to contractual obligations; and economical conduct of business and effective use of financial resources.

The auditor's report shall explicitly be responsive to the key areas applicable to the engagement.

The principle of orderliness (financial regularity) and the existence of a robust internal control system will be explicitly opined on by the auditor.

The auditor should submit the reports for the five genebanks to the Crop Trust rather than to any staff member of the genebank under audit by 31 January 2022.

## **6 FINDINGS AND RECOMMENDATIONS**

Further to expressing an opinion as above, the auditor is expected to tabulate findings, their implications and recommendations for the improvement of the genebanks internal control system (within the framework of the systems of respective parent organizations, and as far as possible in the context of national legislations) and project and accounting procedures, including but not limited to procedures to generally ensure compliance with the principles of

- The KfW Compliance Covenants (to prevent supporting terrorism, corruption, nepotism, sexual exploitation of women and children);
- KfW Procurement Guidelines;

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c) Nigeria – Audited Financial Statements for year ended 31 December 2019  
d) Ethiopia – we are yet to get information on the latest audited accounts available.  
e) Zambia – we are yet to get audited accounts.

<sup>3</sup> All partners have received disbursements for 2021.



- KfW Sustainability Guideline;
- IFC Environmental, Health, and Safety General Guidelines;
- ILO Fundamental conventions;

or relevant national regulations to ensure compliance with operational and ethical standards. While assessing compliance with these basic standards, the auditor is expected to take into account needs and requirements related to national legislations and procedures managed by the parent organization or other superior entities.

## **7 MANAGEMENT LETTER**

The auditor will also prepare a “management letter”, in which the auditor will:

- a) give comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;
- b) identify specific deficiencies and areas of weakness in systems and controls and make recommendations for their improvement;
- c) report on the degree of compliance to Principles of orderliness (financial regularity); existence, adequacy and effectiveness of the internal control system; capacity to conform with the project objectives and adhere to contract obligations; and economical conduct of business and effective use of financial resources and give comments, if any, on the internal and external matters affecting such compliance;
- d) communicate matters that have come to attention during the audit which might have a significant impact on the implementation of the project; and
- e) bring to the attention of the Crop Trust any other matters that the auditors consider pertinent.

## **8 CLOSING MEETING**

After the completion of the audit, and before leaving the premises of the genebank, the auditor shall hold a closing meeting with management and the staff responsible for accounting and reporting within the institution and with Crop Trust representatives attending virtually or in person.

The meeting shall address the results of the audit, discuss major weaknesses observed and proposed recommendations for improvement.

Proceedings of the closing meeting should be summarised in writing and signed both by the representative of the genebank and the leader of the audit team.

These minutes shall be attached as an annexe to the auditor’s report.



## **9 GENERAL**

### **a) Management Representation of Full Disclosure**

The genebanks are contractually obliged to grant the auditors access to all legal documents, correspondence, and any other information deemed necessary by the auditor to form an opinion as required above.

To this end, the auditor shall obtain a management representation letter signed by the management of the genebank, certifying:

- 1) the acknowledgement of the organisation's responsibility for the keeping of accounts and financial documents that are correct, complete, fair, representing the true facts, in conformity with the objectives of the various projects managed, the documents of reference (descriptions of the projects, contracts, budgets, etc.) and national legislation;
- 2) that all accounting records, supporting and other documents, minutes and any pertinent information necessary for the review be at the disposal of the auditor;
- 3) the completeness of information concerning property and goods;
- 4) the completeness of information concerning financing received or due and own financing concerning the reviewed period for the projects sampled and examined by the auditor; and
- 5) the availability of any information and explanations, either orally or by written confirmation, which might be required by the auditor in the execution of his mandate.

The consolidated financial statements, including balance sheets; profit and loss statements and cashflow statements of the genebank, are to be annexed to the declaration and form an integral part thereof.

This declaration shall also be included in the audit report as an annexe.

### **b) Donor Confirmations**

Where possible, confirmation should also be obtained of contracts, amounts disbursed and outstanding with the genebank's major donors on various projects.

Should need arise, the Crop Trust can assist in reaching out to the other donors to obtain such confirmations expeditiously.

These terms of reference will remain effective for future years unless it is terminated, amended or superseded.



## **Annex 1 – Key areas to be reviewed**

### **1 Principles of orderliness (financial regularity)**

#### **1.1 Oversight and stewardship:**

- a) Review the budgeting process at institutional level and that budgets are duly approved at the highest level, and that all expenditures are against the approved budget and are authorized and /or approved and such authorization and /or approval evidenced,
- b) Confirm that Recommendations made by auditors are brought to Management's attention and that open items are documented and tracked.

#### **1.2 Accounting related matters:**

- a) Reconcile Financial statements, financial reports and balance sheet items to the general ledger accounts,
- b) Check arithmetic exactitude of the accounts, correctness of the accounting entries, supporting documents and financial statements and reports by agreeing to the sub ledger and review adequacy and completeness of revenues, ensure that revenues are booked correctly and the application of accrual basis of accounting to response to the Cut-Off Risk,
- c) Review timeliness of recording economic events and transactions in the general ledger accounts,

### **2 Existence, adequacy and effectiveness of the Internal Control System and understanding the IT Systems used if any,**

- a) Review application of management procedures relative to the various project transactions. In particular, verify that there is adequate segregation of duties for vital functions and processes like entering commitments, authorizing and accounting of expenditures, reconciliation of cash on hand and in banks, follow-up on long outstanding debtors and creditors, physical control over inventories, etc.);
- b) Review the adequacy and effectiveness of the ICT system used in enhancing business processes, and the controls in place to safeguard data integrity including backups, security, automated controls and calculations, and system-enforced segregation of duties.

### **3 Capacity to conform with the project objectives and adhere to contractual obligations**

- a) Verification that goods and services purchased with allocated funds are utilized for defined objectives and are still available or have been disposed of/sold in conformity with the procedures specified in the project agreement/contract;
- b) Review underlying reasons for expenditure deemed ineligible in prior audits of donor reports and how such expenditures were ultimately cleared.



- 4 Economic conduct of business and effective use of financial resources**
- a) Review any significant deviations of actual expenses from the agreed budget have been explained and adequately documented;
  - b) Verify the existence of adequate bid and purchasing procedures. e.g. the best cost/benefit ratio for materials and services, conformity of price offers with local practices and cost levels;
  - c) Confirmation that prices and rates are subject to regular verification and that the accounting system in use is adequate to the requirements of a management tool, particularly as it concerns cost analysis.



## **Part B**

# **Terms of Reference - Assurance Engagement - Funds disbursed in Tranches**



## **Attachment C5 (Source: KfW's Separate Agreement)**

### **KfW Terms of Reference**

#### **Part B: Assurance Engagement - Funds disbursed in Tranches**

##### **Introduction**

1. The present assurance engagement shall cover all funds disbursed in tranches by KfW in favour of the Global Crop Diversity Trust and advanced to [Name of Authorized National Project Implementation Unit involved] (the "Entity") under the financial conditions of KfW loan/grant no. ... [KfW reference no.] and Project Agreement No [CONT-5xx ] for financing the local activities of the Seeds for Resilience Project (the "Project")

##### **Objective**

2. The objective of the assurance engagement ("subject matter") is to permit the auditor/practitioner to
  - express an opinion on the Project financial reports (the "Financial Reports"), statements of expenditures and withdrawal applications as far as disbursement in tranches is concerned and
  - to assure that the proceeds of the KfW's loan/grant have been utilized according to contractual provisions.
3. The preparation of the financial reports and the statements of expenditures as basis of accounting is the responsibility of ... (The Entity).
4. The financial information has to be established in accordance with consistently applied accounting standards and the underlying Loan/Financing/Grant Agreement(s) and the corresponding Project Agreement.
5. The assurance engagement will be effected *[at least]* annually *[only to be inserted in case of relevance: "or on the earlier if ....."]* and the signed original(s) of the respective assurance engagement report(s) ("Report") should be presented not later than 3 months after the end of the period covered.
6. The assurance engagement shall cover in one single Report all transactions in connection with the disbursement in tranches as mentioned under section 1 above.



7. During the present Reporting Period from ... to ... total amount of ... [currency+ amount] were/will presumably be disbursed by KfW through the Global Crop Diversity Trust.

### **Scope**

8. This assignment is a reasonable assurance engagement in accordance with International Standards on Assurance Engagements as published by the International Auditing and Assurance Standards Board of the International Federation of Accountants, with special reference to ISAE 3000 revised and will include such procedures as the auditor/practitioner considers necessary (including on-site visits).
9. In conducting the assurance engagement, the auditor/practitioner will express his conclusion on the following items ("criteria") and other matters that the auditor/practitioner considers pertinent:
- (a) Goods and services paid by KfW are eligible for financing under the Loan/Financing/Grant Agreement(s) and the corresponding Separate Agreement (or other Agreements if applicable). Where ineligible expenditures are identified, these should be noted separately.
  - (b) The statements of expenditures can be relied upon to support the related withdrawal applications. Clear linkage should exist between the statements of expenditures, the withdrawal applications presented to KfW and accounting records.
  - (c) Expenditures are supported by relevant and reliable evidence.
  - (d) Goods and services financed by KfW have been procured in accordance with the Loan/Financing/Grant Agreement(s) and the corresponding Separate Agreement (or other Agreements if applicable).
  - (e) There are no specific deficiencies and areas of weakness in the internal systems and controls of The Entity.
10. The auditor's/practitioner's conclusion will explicitly state whether the financial reports of the Entity, the statements of expenditures and the withdrawal applications presented to KfW for the Reporting Period are prepared, in all material respects, in accordance with the criteria mentioned above (section 9 a-e).



## Reports

11. The **audit report(s)** shall
- (a) be issued by the auditor/practitioner in the English language.
  - (b) provide a schedule showing receipts and disbursements during the Reporting Period. Receipts from KfW-funds disbursed by the Global Crop Diversity Trust as well as credit interest or other receipts should be shown separately.
  - (c) include at a minimum the following elements:
    - the Subject Matter
    - applied criteria to evaluate the Subject Matter
    - identification of the level of assurance obtained
    - description of significant limitations
    - informative summary of the work performed (extent, locations ...)
    - auditor's/practitioner's conclusion expressed as required under the reasonable assurance engagement according to ISAE 3000 revised.
  - (d) comprise the auditor's/practitioner's statement on the seriousness of observations noted including the consequences of specific deficiencies, if any.
  - (e) state whether a separate Statement on Internal Control has been issued or not.
  - (f) contain these Terms of Reference as Annex.
12. If considered pertinent, the auditor/practitioner shall prepare a "Statement on Internal Control" in which he will:
- (a) give comments and observations on the accounting records systems and controls examined during the course of the assurance engagement.
  - (b) identify specific deficiencies and areas of weakness in systems and controls that have come to the auditor's/practitioner's attention, especially with regard to withdrawal, procurement, storage, and payment transactions, and make recommendations for their improvement.
  - (c) report on actions taken by the management to make improvements with respect to deficiencies and areas of weakness reported in the past including the audit undertaken as per the Terms of Reference in Part A.
  - (d) bring to the management's attention any other matters that the auditor/practitioner considers pertinent.



### **Liability**

13. The auditor/practitioner will provide KfW through the Global Crop Diversity Trust with evidence of professional liability insurance. The amount of the insurance shall be based on local/regional standards for audit companies.

### **Review**

14. The auditor/practitioner shall keep documentation supporting his conclusion until at least five years after completion of the assurance engagement and shall have them accessible at all times for review by KfW, the Global Crop Diversity Trust or any third party commissioned by KfW.



## Annex 2 – Locations and Indicative Activities and Equipment Budgets

Th tasks are organized by genebank. The aim is to have ALL project partners audited by the same audit firm in both “*the Initial Audit*” (as per TORs in Part A) and “*the Assurance Engagement - Funds disbursed in Tranches*” (as per TORs in Part B).

Zambia is an exception in that it will have the Initial Audit based on TORs in Part A and Annual audits for years ended 31 December 2021, 31 December 2022, and the Final audit based on the TORs in Part B including a follow up on salient issues observed in the Initial Audit. The rest of the countries will have the Initial Audit as per the TORs in Part A and a Final Audit as per the TORs in Part B.

Please note that all amounts are in EURO.

		1. Zambia (ZARI)	2. KENYA (GeRRI)	3. Ethiopia (EBI)	4. Nigeria (NACGRAB)	5. Ghana (CSIR)
		<b>BUDGETS</b>				
<b>TASK, PERIOD &amp; DATE</b>	Activities <sup>4</sup>	275,371	323,478	268,851	268,512	276,565
	Equipment <sup>5</sup>	369,535	155,116	574,826	535,174	492,068
	<b>Total</b>	<b>644,906</b>	<b>478,594</b>	<b>843,677</b>	<b>803,686</b>	<b>768,633</b>
	Applicable Framework					
1. Initial audit in 2021 in all 5 genebanks	Part A	Yes	Yes	Yes	Yes	Yes
2. Annual Assurance Engagement - Funds disbursed in Tranches in Feb/Mar 2022 for year ended 31 Dec 2021 – Zambia	Part B	Yes	Not applicable	Not applicable	Not applicable	Not applicable
3. Annual Assurance Engagement - Funds disbursed in Tranches in Feb/Mar 2023 for year ended 31 Dec 2022 – Zambia	Part B	Yes	Not applicable	Not applicable	Not applicable	Not applicable
4. Final Assurance Engagement - Funds disbursed in Tranches for all genebanks on dates to be decided in 2024	Part A & B	Yes	Yes	Yes	Yes	Yes

<sup>4</sup> These are the amounts as per Project Agreements and all things being equal, will be disbursed to the partners as per terms of the Project Agreements. Annex 3 provides further details by year and by expenditure category.

<sup>5</sup> The equipment and motor vehicles will be centrally procured by Crop Trust. Hence, the only dimension applicable in this regard are the controls or lack thereof over fixed assets in the various genebanks.



### **Annex 3 – Activities Budget by Genebank**

**1 Zambia Agricultural Research Institute (ZARI) (Zambia)**

To be provided on request. Please email: [alexander.kambili@croptrust.org](mailto:alexander.kambili@croptrust.org)

**2 Kenya Agricultural and Livestock Research Organization (KALRO) (Kenya)**

To be provided on request. Please email: [alexander.kambili@croptrust.org](mailto:alexander.kambili@croptrust.org)

**3 Ethiopian Biodiversity Institute (EBI) (Ethiopia)**

To be provided on request. Please email: [alexander.kambili@croptrust.org](mailto:alexander.kambili@croptrust.org)

**4 National Center for Genetic Resources & Biotechnology (NACGRAB) (Nigeria)**

To be provided on request. Please email: [alexander.kambili@croptrust.org](mailto:alexander.kambili@croptrust.org)

**5 CSIR-PGRII Seeds for Resilience Grant Agreement (Ghana)**

To be provided on request. Please email: [alexander.kambili@croptrust.org](mailto:alexander.kambili@croptrust.org)