



CALL FOR EXPRESSIONS OF INTEREST

Recruitment of a Firm for audit of USAID resources managed by CORAF/WECARD

Opening of the call: 18 / 12 / 2017
Closure of the call: 10 / 01 / 2018

CEI No 01/F/USAID-2017

1. For the implementation of its activities, CORAF/WECARD receives funds from multi donors included USAIDs. These funds are managed by the CORAF/WECARD Executive Secretariat.
2. For the sake of transparency in the management of USAID funds, CORAF/WECARD is seeking an International Audit Firm to carry out the audit assignment.
3. The Executive Director of CORAF/WECARD invites firms with the profile sought as indicated in the terms of reference to express their interest in this appeal.
4. Firms should provide a record of expression of interest consisting of: (ii) references concerning the performance and experience of similar services, (iii) and the updated CV for key staff.
5. The audit firm must be a firm of international reputation with experience of similar missions and a good command of the OHADA Accounting System (SYSCOHADA). In addition, the auditor must provide a good ability to audit the financial statements of an institution managing several development programs, have a good knowledge of USAID procedures. The firm must be certified by USAID.
6. The team responsible for this audit will be led by a Certified Public Accountant registered with a recognized professional accounting body and will include a Head of Mission (Auditor Manager) Certified Public Accountant registered with a recognized accounting professional, a Procurement

Specialist and Senior Auditor with significant experience in auditing and analyzing accounts. The resume of key staff should be attached to the expression of interest.

7. The firm will be selected using the selection based on the qualifications of consultants method in accordance with the Manual of administrative and financial procedures of CORAF/WECARD.
8. Interested consultants may obtain additional information from CORAF/WECARD Executive Secretariat by sending correspondence procurement@coraf.org with copy to maquette.sy@coraf.org from 8am to 12pm and from 15h to 17h GMT. The terms of reference of the mission can be downloaded from the CORAF / WECARD website (www.coraf.org) under the heading "**Tender**".
9. Expressions of interest must be submitted by e-mail to: procurement@coraf.org, on **10 / 01 / 2018 at 11:00 GMT at the latest.**

Dr Abdou TENKOUANO

Executive director
CORAF / WECARD

**Conseil Ouest et Centre Africain pour
la Recherche et le Développement
Agricoles**



**West and Central Africa Council
for Agricultural Research and
Development**

CALL FOR EXPRESSION OF INTEREST

AUDIT OF USAID RESOURCES

MANAGED BY

CORAF/WECARD EXECUTIVE SECRETARIAT

Fiscal Years 2017, 2018 and 2019

OBJECTIVES AND GENERAL STATEMENT OF WORK

I. TITLE

Audit of the Fund Accountability Statement of USAID Resources Managed by CORAF/WECARD under the WASP and PAIRED Programs for the Period January 01, 2017, through December 31, 2019.

II. BACKGROUND

CORAF / WECARD is a sub-regional organization created on 15 March 1987. It currently includes the National Agricultural Research Systems of 23 countries of West and Central Africa.

Its mandate is to implement the regional agricultural research policy defined by West and Central Africa's political authorities.

The strategy, vision, mission and specific objective of CORAF/WECARD are outlined in the following statements:

Vision - a sustainable reduction of poverty and food insecurity in WCA through an increase in economic growth induced by agriculture and sustainable improvement of key aspects of the agricultural research system.

Mission - Sustainable improvements in productivity, competitiveness, and agricultural markets in West and Central Africa by meeting the target groups' key demands addressed to the research system of the sub-region.

Specific objective - Sustainable growth of productivity, competitiveness and agricultural markets driven by the involvement of all stakeholders is enhanced in West and Central Africa.

Its role is to:

- Promote cooperation, consultation and exchange of information between the member institutions on one hand and the partners on the other;
- Define identical objectives and research priorities at sub-regional and regional levels;
- To serve as a forum for consultation concerning any research carried out by the sub-regional, regional or international organizations operating in the sub region;
- Develop joint research programs to enhance the complementarity of its activities and those of its partners.

For the implementation of its activities, CORAF/WECARD receives funds from multi donors included USAIDs. These funds are managed by the CORAF/WECARD Executive Secretariat.

For the sake of transparency in the management of USAID funds, CORAF/WECARD is seeking an International Audit Firm to carry out the audit assignment.

In the course of the fiscal years 2017, 2018, and 2019, CORAF has implemented activities under two awards from USAID/West Africa.

The first award was a Cooperative Agreement No. AID-624-A-12-00007 for the “West Africa Seed Program (WASP) with a period of August 1, 2012 to July 31, 2017, which was later modified to an end date of October 31, 2017. The goal of WASP is to expand both the production and supply of quality improved certified seed, both open-pollinated varieties (OPVs) and hybrids, from the current 12 to 25% over the five years of the program. The general objective is to contribute to the sustainable improvement of agricultural productivity. The program seeks to achieve its objectives by building an Alliance for Seed Industry in West Africa (ASIWA) involving all partners working in the seed sector, which will ensure the sustainable production and use of quality seeds of the major staple crops in West Africa. The Program functioned in consortium, drawing upon the combined expertise of the CGIAR centers, NARS including the National Seed Services, Quality Control and Certification Agencies, NGOs, Farmers' organizations, Universities, Local and National Private Sector Organizations and Companies, Seed initiatives, Sub-regional organizations and International private sector organizations and companies to achieve the following expected results: i) an inclusive West Africa Seed Alliance established and operational; ii) national and regional seed laws and regulations implemented; iii) sufficient quantities of breeder, foundation and certified seeds to meet required demands produced and used; and iv) private sector participation in the seed industry enhanced. The project supported the CAADP, ECOWAP and the USAID FtF programs to improve agricultural productivity in order to reduce poverty by half and increased food security in West Africa.

The second award, entitled “Partnership for Agricultural Research, Education and Development (PAIRED)”, was awarded June 20, 2017 for five years, and has three main components. Component One focuses on institutional strengthening of CORAF, to provide technical and financial support to enable CORAF/WECARD to develop the new Strategic and Operational Plans and support their implementation. This is the priority of the first year of the PAIRED award. In this Component, CORAF

will undertake systemic reforms to improve the efficiency, effectiveness, and professionalism of CORAF/WECARD as an institution, and move the organization towards becoming a stellar instrument for regional coordination of agricultural research, and to put it on a path to financial stability and sustainability. The second and third components of the PAIRED are to be prioritized only after completion and Governing Board approval of the CORAF new Strategic Plan (SP 2) and Operational Plan 3 to run through 2026 and 2021 respectively. Component Two focuses on catalyzing the development and adaptation of agricultural technologies and innovations. Scaling and dissemination of such technologies will require effective engagement of emerging actors (e.g., private sector and AR&D foundations) and facilitating public and private investments in specific value chains. In Component Three CORAF/WECARD will build on successes of WASP to consolidate and advance continued progress on building the regional seed sector and seed market, including advancing implementation of harmonized regional policy and regulations. Also in this Component, CORAF will work with governments and non-government partners to support and advocate for mechanisms that can persuade the private sector to put in place systems that ensure sustained availability, delivery, and adoption of improved seed and fertilizers.

III. OBJECTIVES

The objective of this engagement is to conduct a financial audit of the USAID resources managed by the recipient under the programs “WASP and PAIRED” with agreement reference number AID-624-A-12-0007 and AID-624-A-17-00002 respectively from January 01, 2017, through December 31, 2019 in accordance with U.S. Government Auditing Standards¹ [2011/2007] revision issued by the U.S. Government Accountability Office and the USAID Office of the Inspector General “Guidelines for Financial Audits Contracted by Foreign Recipients (Guidelines).”

The financial audit must include:

- (1) a specific audit of all the recipient’s USAID-funded programs, and
- (2) an audit of the recipient's general purpose financial statements on an organization-wide basis (balance sheet, income statement, and cash flow statement) if the recipient has been authorized to use provisional indirect costs rates,² or if the mission specifically requests such an audit.

The fund accountability statement is the basic financial statement to be audited that presents the recipient's revenues, costs incurred, cash balance of funds provided by USAID, and commodities directly procured by USAID for the recipient's use. The fund accountability statement should be reconciled to the USAID funds included in the general purpose financial statements by a note to the

¹ The 2011 revision of Government Auditing Standards supersedes the 2007 revision. The 2011 revision should be used by government auditors until further updates and revisions are made. The 2011 revision of Government Auditing Standards is effective for financial audits and attestation engagements for periods ending on or after December 15, 2012, and for performance audits beginning on or after December 15, 2011. Early implementation is not permitted.

² Where the recipient had been authorized to use provisional indirect cost rates, an audit of the general purpose financial statements is needed to ensure that all costs have been correctly included in the indirect cost rate calculation.

financial statements or the fund accountability statement. All currency amounts in the fund accountability statement, cost-sharing schedule, and the report findings, if any, must be stated in U.S. dollars. The auditors should indicate the exchange rate(s) used in the notes to the fund accountability statement.

A. Audit of USAID Funds

A financial audit of the funds provided by USAID must be performed in accordance with U.S. Government Auditing Standards [2011/2007] revision, or other approved standards where applicable, and accordingly includes such tests of the accounting records as deemed necessary under the circumstances. The specific objectives of the audit of the USAID funds are to:

- Express an opinion on whether the fund accountability statement for the USAID-funded programs presents fairly, in all material respects, revenues received, costs incurred, and commodities directly procured by USAID for the period audited in conformity with the terms of the agreements and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis).
- Evaluate the recipient's internal control related to the USAID-funded programs, assess control risk, and identify significant deficiencies including material weaknesses. This evaluation should include the internal control related to required cost-sharing contributions.
- Perform tests to determine whether the recipient complied, in all material respects, with agreement terms (including cost-sharing/counterpart contributions, if applicable) and applicable laws and regulations related to USAID-funded programs. All material instances of noncompliance and all illegal acts that have occurred or are likely to have occurred should be identified. Such tests should include the compliance requirements related to required cost-sharing contributions, if applicable.
- Perform an audit of the indirect cost rate(s) if the recipient has been authorized to charge indirect costs to USAID using provisional rates and USAID has not yet negotiated final rates with the recipient.
- Determine if the recipient has taken adequate corrective action on prior audit report recommendations.

Auditors must design audit steps and procedures in accordance with U.S. Government Auditing Standards, Chapter 4, to provide reasonable assurance of detecting situations or transactions in which fraud or illegal acts have occurred or are likely to have occurred. If such evidence exists, the auditors must contact the USAID Regional Inspector General office in Pretoria (RIG/Pretoria) and should exercise due professional care in pursuing indications of possible fraud and illegal acts so as not to interfere with potential future investigations or legal proceedings.

B. Review of Cost-Sharing/Counterpart Contributions Schedule

The audit should determine whether cost-sharing/counterpart contributions were provided and accounted for by the recipient in accordance with the terms of the agreements, if applicable. The auditors will review the cost-sharing/counterpart schedule to determine if the schedule is fairly presented in accordance with the basis of accounting used by the recipient to prepare the schedule. The auditors should question all cost-sharing/counterpart contributions that are either ineligible or unsupported costs. In addition, for audits of agreements that present a cost-sharing/counterpart contribution budget on an annual basis and for close-out audits of awards that present cost-sharing/counterpart contribution budgets on a life-of-project basis, the auditors will review the cost-sharing/counterpart contributions schedule to determine if cost-sharing/counterpart contributions were provided by the recipient in accordance with the terms of the agreement.

C. Audit of General Purpose Financial Statements

A financial audit of the recipient's general purpose financial statements on an organization-wide basis must be submitted to USAID together with the audit of USAID funds if the recipient has been authorized to charge indirect costs, or if the mission specifically requests such an audit. The audit must be performed in accordance with generally accepted auditing standards of the American Institute of Certified Public Accountants (AICPA), auditing standards that have been prescribed by the laws of the Senegal or adopted by Institute of Chartered Accountants, Senegal or auditing standards promulgated by the International Organization of Supreme Audit Institutions (INTOSAI) or International Auditing Practices Committee of the International Federation of Accountants. The objective of this audit is to express an opinion on whether those statements present fairly, in all material respects, the recipient's financial position at year-end, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

IV. AUDIT SCOPE

The auditor should use the following steps as the basis for preparing audit programs. They are not all-inclusive or restrictive in nature and do not relieve the auditor from exercising due professional care and judgment. The steps should be modified to fit local conditions and specific program design, implementation procedures, and agreement provisions which may vary from program to program. Any limitations in the scope of work must be communicated as soon as possible to RIG/Pretoria.

A. Pre-Audit Steps

Following is a list of documents applicable to different USAID programs. The auditor should review the applicable documents considered necessary to perform the audit:

1. The agreement between USAID and the recipient.
2. The sub-agreements between the recipient and other implementing entities, as applicable.
3. Contracts and subcontracts with third parties, if any.

4. The budgets, workplans, amendments to the cooperative agreements, and written procedures approved by USAID.
5. USAID Automated Directives System Chapter 636 – “Program Funded Advances”
6. OMB Circular A-122 "Cost Principles for Nonprofit Organizations" (2 CFR Part 230).
7. Federal Acquisition Regulation (FAR), Part 31, Contract Cost Principles and Procedures.
8. USAID Acquisition Regulation (AIDAR), which supplement the FAR.
9. Mandatory Standard Provisions for Non-U.S. Nongovernmental Grantees (USAID Automated Directives System, Chapter 303 Internal Mandatory References).
10. Standard Provisions Annex for Agreements with Foreign Governments (USAID Automated Directives System, Chapter 350).
11. All program financial and progress reports; and charts of accounts, organizational charts; accounting systems descriptions; procurement policies and procedures; and receipt, warehousing and distribution procedures for materials, as necessary to successfully complete the required work.
12. Any previous audits, financial reviews, etc., that directly relate to the objectives of the audit.
13. OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards³ (commonly referred to as the Super Circular), December 2013.

B. Fund Accountability Statement

The auditor must examine the fund accountability statement (i.e. the financial statement that represents USAID recipients’ revenues, the budgeted amounts by category and major items; the revenues received from USAID for the period covered by the audit; the costs reported by the recipient as incurred during that period; and the commodities directly procured by USAID for the recipient’s use.) for USAID programs including the budgeted amounts by category and major items; the revenues received from USAID for the period covered by the audit; the costs reported by the recipient as incurred during that period; and the commodities directly procured by USAID for the recipient’s use.

The fund accountability statement must include all USAID assistance funds identified by each specific program or agreement. The revenues received from USAID less the costs incurred, after considering any reconciling items, must reconcile with the balance of cash-on-hand or in bank accounts.⁴

³ This guidance, issued December 26, 2013, will be implement in the near future and will supersede and streamline requirements from OMB Circulars A-21, A-87, A-110, and A-122 (which have been placed in OMB guidance); Circulars A-89, A-120, and A-133; and the guidance in Circular A-50 on Single Audit Act follow-up.

⁴ If the recipient does not receive any advances from USAID (i.e., it operates on a reimbursement basis), then the recipient will not hold any balances of USAID funds.

The fund accountability statement should not include cost-sharing/counterpart contributions provided from the recipient's own funds or in-kind. However, a separate cost-sharing/counterpart contributions schedule must be included and reviewed to determine whether cost-sharing/counterpart contributions were provided and accounted for in accordance with the terms of the agreement (see section IV.C. of this statement of work).

The auditors may prepare or assist the recipient in preparing the fund accountability statement from the books and records maintained by the recipient, but the recipient must accept the responsibility for the statement's accuracy before the audit commences.

The opinion on the fund accountability statement must comply with AICPA Professional Standards AU-C, section 700 (Forming an Opinion and Reporting on Financial Statements) and AU-C, section 705 (Modifications to the Opinion in the Independent Auditor's Report). The fund accountability statement must separately identify those revenues and costs applicable to each specific USAID agreement. The audit must evaluate program implementation actions and accomplishments to determine whether specific costs incurred are allowable, allocable, and reasonable under the agreement terms and applicable cost principles, and to identify areas where fraud and illegal acts have occurred or are likely to have occurred as a result of inadequate internal control. At a minimum, the auditors must:

1. Review direct and indirect costs billed to and reimbursed by USAID and costs incurred but pending reimbursement by USAID, identifying and quantifying any questioned costs. All costs that are not supported with adequate documentation or are not in accordance with the agreement terms must be reported as questioned. Questioned costs that are pending reimbursement by USAID must be identified in the notes to the fund accountability statement as not reimbursed by USAID.
 - a. Questioned costs must be presented in the fund accountability statement in two separate categories.
 - ✓ Ineligible costs that are explicitly questioned because they are unreasonable, prohibited by the agreements or applicable laws and regulations, or not program related.
 - In addition, if a recipient was required to place USAID funds in an interest-bearing account but did not, then the imputed interest that would have been earned is also classified as an ineligible cost.
 - ✓ Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations. All material questioned costs resulting from instances of noncompliance with agreement terms and applicable laws and regulations must be included as findings in the report on compliance.
 - Also, the notes to the fund accountability statement must briefly describe both material and immaterial questioned costs and must be cross-referenced to any corresponding findings in the report on compliance.

2. Review general and program ledgers to determine whether costs incurred were properly recorded. Reconcile direct costs billed to, and reimbursed by, USAID to the program and general ledgers.
3. Review procedures used to control the funds, including their channeling to contracted financial institutions or other implementing entities. Review bank accounts and the controls on those bank accounts. Perform positive confirmation of balances, as necessary.
4. Determine whether advances of funds were justified with documentation, including reconciliations of funds advanced, disbursed, and available. The auditors must ensure that all funding received by the recipient from USAID was appropriately recorded in the recipient's accounting records and that those records were periodically reconciled with information provided by USAID.
5. Determine whether program income was added to funds used to further eligible project or program objectives, to finance the non-federal share of the project or program, or deducted from program costs, in accordance with USAID regulations, other implementing guidance, or the terms and conditions of the award.
6. Review procurement procedures to determine whether sound commercial practices including competition were used, reasonable prices were obtained, and adequate controls were in place over the qualities and quantities received.
7. Review direct salary charges to determine whether salary rates were reasonable for that position, in accordance with those approved by USAID when USAID approval is required, and supported by appropriate payroll records. Determine if overtime was charged to the program and whether it was allowable under the terms of the agreements. Determine whether allowances and fringe benefits received by employees were in accordance with the agreements and applicable laws and regulations. The auditors should question unallowable salary charges in the fund accountability statement.
8. Review travel and transportation charges to determine whether they were adequately supported and approved. Travel charges that are not supported with adequate documentation or not in accordance with agreements and regulations must be questioned in the fund accountability statement.
9. Review commodities (e.g., supplies, materials, vehicles, equipment, food products, tools, etc.) procured by the recipient or directly procured by USAID for the recipient's use. The auditors should determine whether commodities exist or were used for their intended purposes in accordance with the terms of the agreements, and whether control procedures exist and have been placed in operation to adequately safeguard the commodities. As part of the procedures to determine if commodities were used for intended purposes, the auditors should perform end-use reviews for an appropriate sample of all commodities based on the control risk assessment (see section IV.D. of this statement of work). End-use reviews may include site visits to verify that commodities exist or were used for their intended purposes in accordance with the terms of the agreements. The cost of all commodities whose existence or proper use in accordance with the terms of the agreements cannot be verified must be questioned in the fund accountability statement. (The auditor should determine the cost of commodities based on supporting documentation available from the recipient or USAID, as appropriate.)

10. Review technical assistance and services procured by the recipient. The auditors should determine whether technical assistance and services were used for their intended purposes in accordance with the terms of the agreements. The cost of technical assistance and services not properly used in accordance with the terms of the agreements must be questioned in the fund accountability statement.
 - a. In addition to the above audit procedures, if technical assistance and services were contracted by the recipient from a non-U.S. contractor, the auditors should perform additional audit steps on the technical assistance and services, unless the recipient has separately contracted for an audit of these costs. When testing for compliance with agreement terms and applicable laws and regulations, the auditors should not only consider agreements between the recipient and USAID, but also agreements between the recipient and non-U.S. contractors providing technical assistance and services. The agreements between the recipient and the non-U.S. contractors should be audited using the same audit steps described in the other paragraphs of this section, including all tests necessary to specifically determine that costs incurred are allowable, allocable, reasonable, and supported under the agreement terms.
 - b. If the technical assistance and services were contracted by the recipient from a U.S. contractor, the auditors are still responsible for determining whether technical assistance and services were used for their intended purposes in accordance with the terms of the agreements. However, the auditors are not responsible for performing additional audit steps for the costs incurred under the technical assistance and services agreements, since either USAID or a cognizant U.S. Government agency is responsible for contracting for audits of these costs.
11. When indirect costs are charged to USAID using provisional rates, review the allocation method to determine that the indirect cost pool and distribution base include only allowable items in accordance with the agreement terms and regulations. The auditors should be aware that costs that are unallowable as charges to USAID agreements (e.g., fundraising) must be allocated their share of indirect costs if they represent activities that
 - (1) include the salaries of personnel,
 - (2) occupy space, and
 - (3) benefit from the organization's indirect costs. Indirect cost rates must be calculated after all adjustments have been made to the pool and base. When indirect costs are charged to USAID using predetermined or fixed rates, verify that the correct rates are applied in accordance with the agreement with USAID.
12. Review unliquidated advances to the recipient and pending reimbursements by USAID when performing final closeout audits. Ensure that the recipient has returned any excess cash to USAID. Also, ensure that all assets (inventories, fixed assets, commodities, etc.) procured with program funds were disposed of in accordance with the terms of the agreements. The auditors should present, as an annex to the fund accountability statement, the balances and details of final inventories of nonexpendable property acquired under the agreements. This inventory should indicate which items were titled to the U.S. Government

and which were titled to other entities.

The fund accountability statement included as Example 6.1 of the Guidelines illustrates how to report the results of a single audit that covers more than one USAID agreement. In such cases, the fund accountability statement must separately disclose the financial information (revenues, costs, etc.) for each agreement, and must identify the USAID missions/offices that provided funding for each agreement.

Questioned costs, and internal control and compliance findings of any audits of sub-recipients must be reported in the recipient's financial audit using the same treatment and procedures as the recipient's own questioned costs and findings. This is particularly important in audits of recipients covering agreements from more than one USAID mission. Each mission can identify its agreements in the audit report for resolution of findings and recommendations with the recipient. The same reporting principles apply when only one USAID agreement is covered by the audit.

The auditors must generally express a single opinion on the fund accountability statement that includes more than one agreement with USAID. Auditors must not express separate opinions on fund accountability statements of each agreement or program unless specifically requested to do so by the USAID mission.

C. Cost-Sharing/Counterpart Contribution Schedule

USAID agreements may require contributions by the recipient. Most agreements establish a life-of-project budget for such contributions; however, some agreements may establish annual budgets for those contributions. The review of the cost-sharing schedule must be approached differently depending on whether the cost-sharing/counterpart contribution budget is a life-of project budget or an annual budget. In either case, the review consists principally of inquiries of recipient personnel and analytical procedures applied to financial data supporting the cost-sharing/counterpart contributions schedule.

The auditors may prepare or assist the recipient in preparing the cost-sharing/counterpart contributions schedule from the books and records maintained by the recipient. The recipient must, however, accept responsibility for the schedule's accuracy before the review commences.

C.1. Agreement with Annual Cost-Sharing/Counterpart Contributions Budget

For agreements with an annual budget for cost-sharing/counterpart contributions, for each year that an audit is performed in accordance with the Guidelines, the auditors will review the cost-sharing/counterpart contributions schedule to determine whether

(1) the schedule is fairly presented in accordance with the basis of accounting used by the recipient to prepare the cost-sharing/counterpart contributions schedule and

(2) contributions were provided by the recipient in accordance with the terms of the agreement.

The auditors must question all cost-sharing/counterpart contributions that are either ineligible or unsupported costs.

An ineligible cost is unreasonable, prohibited by the agreements or applicable laws and regulations, or not program related. An unsupported cost lacks adequate documentation or does not have required prior approvals or authorizations.

All questioned costs must be briefly described in the notes to the cost-sharing/counterpart contributions schedule. In addition, material questioned costs must be included as findings in the report on compliance.

Notes to the cost-sharing/counterpart contributions schedule must be cross-referenced to the corresponding findings in the report on compliance. Also, significant deficiencies in internal control related to cost-sharing/counterpart contributions must be set forth as findings in the report on internal control.

If actual cost-sharing/counterpart contributions were less than budgeted contributions, the shortfall will be identified in the appropriate column of the cost-sharing/counterpart contributions schedule. (See sample cost-sharing/counterpart contributions schedule at Example 6.2.B, and sample reports at Examples 7.6.C and 7.6.D of the Guidelines.)

D. Internal Controls

The auditors must obtain a sufficient understanding of the entity and its environment, including its internal control, to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures.

In obtaining this understanding, the auditor must understand the design of the internal control related to USAID programs and determine whether they have been placed in operation. The U.S. General Accounting Office's Standards for Internal Controls in the Federal Government (GAO/AIMD-00-21.3.1; 1999) may be helpful in assessing recipient internal controls. The internal control must be described in the audit documentation.

Auditors must then prepare the report required by the Guidelines, identifying any significant deficiencies or material weaknesses in the design or operation of internal control.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness that is important enough to merit attention by those charged with governance.

Any significant deficiencies or material weaknesses must be set forth in the report as "findings" (see paragraph 5.1.d of the Guidelines).

Any other matters related to internal control – such as suggestions for improving operational or administrative efficiency or internal control, or control deficiencies that are not significant deficiencies or material weaknesses – may be reported in a separate management letter to the recipient and referred to in the report on internal control.

The major internal control components to be studied and evaluated include, but are not limited to, the controls related to each revenue and expense account on the fund accountability statement. The auditors must:

1. Obtain an understanding of the design of the internal control related to USAID programs and determine whether they have been placed in operation.
2. Assess inherent risk and control risk, and determine the detection risk.
 - ✓ Inherent risk is the susceptibility of an assertion, such as an account balance, to a misstatement that could be material, either individually or when aggregated with other misstatements, assuming that there are no related controls.
 - ✓ Control risk is the risk that a misstatement that could occur in a relevant assertion and that could be material, either individually or when aggregated with other misstatements, will not be prevented or detected on a timely basis by the entity's internal control.
 - ✓ Detection risk is the risk that the auditor will not detect a material misstatement that exists in an assertion. Detection risk is based upon the effectiveness of an auditing procedure and the auditor's application of that procedure.
3. Summarize the risk assessments for each assertion in a single document included in the audit documentation. The risk assessments should consider the following broad categories under which each assertion should be classified:
 - (a) classes of transactions and events for the period under audit (occurrence, completeness, accuracy, cutoff, and classification),

(b) account balances at the period end (existence, rights, obligations, completeness, valuation, and allocation), and

(c) presentation and disclosure (occurrence, rights, obligations, completeness, classification, understandability, accuracy, and valuation).

At a minimum, the audit documentation should identify:

- ✓ the name of the account or assertion,
- ✓ the account balance or the amount represented by the assertion,
- ✓ the assessed level of inherent risk (high, moderate, or low),
- ✓ the assessed level of control risk (high, moderate, or low),
- ✓ the combined risk (high, moderate, or low), and
- ✓ a description of the nature, timing and extent of the tests performed based on the combined risk.

Summary audit documentation should be cross-indexed to supporting audit documentation that contains the detailed analysis of the fieldwork. If control risk is evaluated at less than the maximum level (high), then the basis for the auditor's conclusion must be described in the audit documentation.

If the auditors assess control risk at the maximum level for assertions related to material account balances, transaction classes, and disclosure components of financial statements when such assertions are significantly dependent upon computerized information systems, the auditors must describe in the audit documentation the basis for such conclusions by addressing:

(i) the ineffectiveness of the design and/or operation of controls, or

(ii) the reasons why it would be inefficient to test the controls.

4. Evaluate the control environment, the adequacy of the accounting systems, and control procedures. Emphasize the policies and procedures that pertain to the recipient's ability to record, process, summarize, and report financial data consistent with the assertions embodied in each account of the fund accountability statement. This should include, but not be limited to, the control systems for:

- a. Ensuring that charges to the program are proper and supported.
- b. Managing cash on hand and in bank accounts.
- c. Procuring goods and services.

- d. Managing inventory and receiving functions.
 - e. Managing personnel functions such as timekeeping, salaries, and benefits.
 - f. Managing and disposing of commodities (such as supplies, materials, vehicles, equipment, food products, tools, etc.) purchased either by the recipients or directly by USAID.
 - g. Ensuring compliance with agreement terms and applicable laws and regulations that collectively have a material impact on the fund accountability statement. The results of this evaluation should be contained in the audit documentation section described in Section IV.E. of this statement of work and presented in the compliance report.
5. Evaluate internal control established to ensure compliance with cost-sharing/counterpart contribution requirements, if applicable, including both provision and management of the contributions.
6. Include in the study and evaluation other policies and procedures that may be relevant if they pertain to data the auditors use in applying auditing procedures. This may include, for example, policies and procedures that pertain to nonfinancial data that the auditor uses in analytical procedures.

In fulfilling the audit requirement relating to an understanding of the internal control and assessing the level of control risk, the auditor must follow, at a minimum, the guidance contained in AICPA Professional Standards AU-C, section 314 (Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement), AU-C, section 265 (Communicating Internal Control Related Matters Identified in an Audit), and AU-C, section 935 (Compliance Audits).

E. Compliance with Agreement Terms and Applicable Laws and Regulations

In fulfilling the audit requirement to determine compliance with agreement terms and applicable laws and regulations related to USAID programs, the auditors must, at a minimum, follow guidance contained in AICPA Professional Standards AU-C, section 935 (Compliance Audits).

The compliance review must also determine – on audits of awards that present cost-sharing/counterpart contribution budgets on an annual basis and on close-out audits of awards that present cost-sharing/counterpart contribution budgets on a life-of-project basis – if cost-sharing/counterpart contributions were provided and accounted for in accordance with the terms of the agreements.

The auditor's report on compliance must set forth as findings all material instances of noncompliance, defined as instances that could have a direct and material effect on the fund accountability statement. Non-material instances of non-compliance must be included in a separate management letter to the recipient and referred to in the report on compliance.

The auditor's report should include all conclusions that a fraud or illegal act either has occurred or is likely to have occurred. In reporting material fraud, illegal acts, or other noncompliance, the auditors should place their findings in proper perspective.

To give the reader a basis for judging the prevalence and consequences of these conditions, the instances identified should be related to the universe or the number of cases examined and is quantified in terms of U.S. dollars, if appropriate.

In presenting material fraud, illegal acts, or other noncompliance, auditors must follow [Chapter 5 and Chapter 4 (if 2007 revision)/ chapter 4 (if 2011 revision)] of U.S. Government Auditing Standards. If the auditors conclude that sufficient evidence of fraud or illegal acts exists, they must contact RIG/Pretoria and exercise due professional care in pursuing indications of possible fraud and illegal acts to avoid interfering with potential future investigations or legal proceedings.

In planning and conducting the tests of compliance, the auditors must:

1. Identify the agreement terms and pertinent laws and regulations and determine which of those, if not observed, could have a direct and material effect on the fund accountability statement. The auditors must:
 - a. List all standard and program-specific provisions contained in the agreements that cumulatively, if not observed, could have a direct and material effect on the fund accountability statement.
 - b. Assess the inherent and control risk that material noncompliance could occur for each of the compliance requirements listed in (1a) above.
 - c. Determine the nature, timing and extent of audit steps and procedures to test for errors, fraud, and illegal acts that provide reasonable assurance of detecting both intentional and unintentional instances of noncompliance with agreement terms and applicable laws and regulations that could have a material effect on the fund accountability statement. This should be based on the risk assessment in (1b) above.
 - d. Prepare a single summary document in the audit documentation that identifies each of the specific compliance requirements included in the review, the results of the inherent, control and (detection) risk assessments for each compliance requirement, the audit steps used to test for compliance with each of the requirements based on the risk assessment, and the results of the compliance testing for each requirement. The summary document should be cross-indexed to detailed audit documentation that support the facts and conclusions contained in the summary document.
2. Determine if payments have been made in accordance with agreement terms and applicable laws and regulations.

3. Determine if funds have been expended for purposes not authorized or not in accordance with applicable agreement terms. If so, the auditors must question these costs in the fund accountability statement.
4. Identify any costs not considered appropriate, classifying and explaining why these costs are questioned.
5. Determine whether commodities, whether procured by the recipient or directly procured by USAID for the recipient's use, exist or were used for their intended purposes in accordance with the terms of the agreements. If not, the cost of such commodities must be questioned.
6. Determine whether any technical assistance and services procured by the recipient were used for their intended purposes in accordance with the agreements. If not, the cost of such technical assistance and services should be questioned.
7. Determine if the amount of cost-sharing/counterpart contribution funds was calculated and accounted for as required by the agreements or applicable cost principles.
8. Determine if the cost-sharing/counterpart contribution funds⁵ were provided according to the terms of the agreements and quantify any shortfalls.
9. Determine whether those who received services and benefits were eligible to receive them.
10. Determine whether the recipient's financial reports (including those on the status of cost-sharing/counterpart contributions) and claims for advances and reimbursement contain information that is supported by the books and records.
11. Determine whether the recipient held advances of USAID funds in interest-bearing accounts, and whether the recipient remitted to USAID any interest earned on those advances, with the exception of up to \$250 a year that the recipient may retain for administrative expenses. If the recipient was required to place USAID funds in an interest-bearing bank account but did not, then the auditor should determine the amount of interest that was foregone by the recipient, and this amount should be classified as ineligible costs.

F. Follow-Up on Prior Audit Recommendations

The auditors must review the status of actions taken on findings and recommendations reported in prior audits of USAID-funded programs. Paragraph [4.09 (if 2007 revision) or 4.05 (if 2011 revision)] of the U.S. Government Auditing Standards states: *"Auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that could have a material effect on the financial statements. When planning the audit, auditors should ask management of the audited entity to identify previous audits, attestation engagements, financial reviews, and other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented. Auditors should use this information in assessing risk and determining the nature, timing, and extent of current audit work,*

⁵ This step is applicable on audits of awards that present cost-sharing/counterpart contributions budgets on an annual basis and for closeout audits of awards that present cost-sharing/counterpart contribution budgets on a life-of-project basis, as explained in paragraphs 4.12 and 4.13 of the Guidelines.

including determining the extent to which testing the implementation of the corrective actions is applicable to the current audit objectives.”

The auditors must describe the scope of their work on prior audit recommendations in the summary section of the audit report. The auditors should refer to the most recent recipient or agency contracted audit report for the same award (since it a follow-up audit).

When corrective action has not been taken and the deficiency remains unresolved for the current audit period the auditors need to briefly describe the prior finding and status and show the page reference to where it is included in the current report. If there were no prior findings and recommendations, the auditors must include a note to that effect in this section of the audit report.

G. General Purpose Financial Statements

Auditors should examine the recipient’s general purpose financial statements on an organization-wide basis if an indirect cost rate needs to be audited,⁶ or if the mission specifically requests that the general purpose financial statements be audited. The audit must be performed in accordance with generally accepted auditing standards of the American Institute of Certified Public Accountants (AICPA), International Accounting Standards, auditing standards that have been prescribed by the laws of the Senegal or adopted by an association of public accountants in the country, or auditing standards promulgated by the International Organization of Supreme Audit Institutions or International Auditing Practices Committee of the International Federation of Accountants.

The objective of this audit is to express an opinion on whether those statements present fairly, in all material respects, the recipient's financial position at year-end, and the results of its operations and cash flow for the year then ended, in conformity with generally accepted accounting principles.

H. Indirect Cost Rates

The auditors should determine the actual indirect cost rates for the year if the recipient has used provisional rates to charge indirect costs to USAID. The audit of the indirect cost rates should include tests to determine whether the:

1. Distribution or allocation base includes all costs that benefited from indirect activities.
2. Distribution or allocation base is in compliance with the governing USAID Negotiated Indirect Cost Rate Agreement (NICRA), if applicable.

⁶ Where indirect costs are authorized, an audit of the general purpose financial statements is needed to ensure that all costs have been correctly included in the indirect cost rate calculation.

3. Indirect cost pool includes only costs authorized by the USAID agreements and applicable cost principles.
4. Indirect cost rates obtained by dividing the indirect cost pool by the base are accurately calculated.
5. Costs included in this calculation reconcile with the total expenses shown in the recipient's audited general purpose financial statements.

The results of the audit of the indirect cost rate must be presented in a schedule of computation of indirect cost rate (see Example 6.3 of the Guidelines).

This schedule should contain:

- (1) a listing of costs included in each indirect cost pool,
- (2) the distribution base, and
- (3) the calculation and the resultant indirect cost rate calculation.

The costs in the schedule should reconcile with the total expenses shown in the recipient's general purpose financial statements. U.S. Office of Management and Budget (OMB) Circular A-122 (2 CFR Part 230) provides additional guidance on allocation of indirect costs and determination of indirect cost rates.

I. Other Audit Responsibilities

The auditors must perform the following steps:

- Hold entrance and exit conferences with the recipient. The cognizant USAID mission (USAID/West Africa) and RIG/Pretoria should be notified of these conferences in order that USAID representatives may attend, if deemed necessary.
- During the planning stages of an audit, communicate information to the auditee regarding the nature and extent of planned testing and reporting on compliance with laws and regulations and internal control over financial reporting.⁷ Such communication should state that the auditors do not plan to provide opinions on compliance with laws and regulations

⁷ The auditors only express an opinion on the fund accountability statement, the indirect cost rate, and general purpose financial statements, if applicable, as indicated on Chapter 3 of the Guidelines.

and internal control over financial reporting. This communication should be in the form of an engagement letter.

- Institute quality control procedures to ensure that sufficient appropriate evidence is obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit. While auditors may use their standard procedures for ensuring quality control, those procedures must, at a minimum, ensure that:
 - a. Audit reports and audit documentation are reviewed by an auditor, preferably at the partner level, who was not involved in the audit. This review must be documented.
 - b. All quantities and monetary amounts involving calculations are footed and cross-footed.
 - c. All factual statements, numbers, conclusions, and monetary amounts are cross-indexed to supporting audit documentation.
- The auditor must ascertain, before preparing its proposal for the audit engagement (or if this is not possible, at the earliest opportunity during the engagement itself), whether the recipient ensured that audits of its sub-recipients were performed to ensure accountability for USAID funds passed through to sub-recipients (see paragraph 1.6 of the Guidelines). If sub-recipient audit requirements were not met, the auditors should immediately notify USAID/West Africa mission and RIG/Pretoria and consider whether they can audit the sub-recipient costs themselves. If, after consultation with USAID/West Africa and RIG/Pretoria, the auditors conclude that a restriction on the scope of the audit exists and the restriction cannot be removed, then the auditors should consider modifying their opinion and any costs that have not been audited as required must be questioned as unsupported costs.
- Obtain a management representation letter in accordance with AICPA Professional Standards AU-C, section 580 (Written Representations). See Example 4.1 of the Guidelines for an illustrative management representation letter.
- The Auditor shall submit a timetable for the completion of the work of the mission, including the editing of a provisional version of the audit report.

In accordance with IFAC standards, the auditor should pay particular attention to:

- ***Fraud and Corruption:*** In accordance with **ISA 240 (Taking into account the risk of fraud and error in auditing the accounts)**, the auditor should identify and assess the risk of fraud, obtain or provide sufficient audit evidence of the analysis of such risks and adequately address the identified and suspected fraud.
- ***Laws and Regulations:*** In developing the audit approach and performing the audit procedures, the auditor shall assess compliance with the laws and regulations that could materially affect the financial statements as required by **ISA 250 (Taking into account the risk of misstatement in the accounts resulting from non-compliance with legal and regulatory texts)**.

- ***Governance:*** The communication with officials responsible for the governance of significant items in accordance with **ISA 260 (Communication on the mission with those responsible for governance)**.
- ***Risks:*** In order to reduce audit risks to a relatively low level, the auditor will implement appropriate audit procedures in response to the risk of misstatements identified at the end of the audit. This is in accordance with **ISA 330 (Audit Procedures Implemented by the Auditor at the end of its risk assessment)**.

V. AUDIT REPORTS

The recipient should submit to USAID/ West Africa a portable document format (PDF) copy of the audit report in English. The USAID West Africa mission will forward the report to RIG/Pretoria for processing. The format and content of the audit reports should closely follow the illustrative reports in Chapter 7 of the Guidelines. The audit report must specify the correct award number(s) of each award covered by the audit. The report must contain:

A. A title page,⁸ table of contents, transmittal letter, and summary which includes:

(1) a background section with a general description of the USAID programs audited, the period covered, the program objectives, a clear identification of all entities mentioned in the report, a section on the follow-up of prior audit recommendations, and whether cost-sharing/counterpart contributions were required during the period audited, and whether the recipient has a USAID-authorized provisional indirect cost rate;

(2) the objectives and scope of the financial audit, and a clear explanation of the procedures performed and the scope limitations, if any;

(3) a brief summary of the audit results on the fund accountability statement, questionable costs, internal control, compliance with agreement terms and applicable laws and regulations, indirect cost rates, status of prior audit recommendations, and, if applicable, the recipient's general purpose financial statements on an organization-wide basis;

(4) a brief summary of the results of the review of cost-sharing/counterpart contributions; and

(5) a brief summary of the recipient's management comments regarding their views on the audit and review results and findings.

B. The auditor's report on the fund accountability statement, identifying any material questioned costs not fully supported with adequate records or not eligible under the terms of the agreement. The report must be in conformance with the standards for reporting in [Chapter 5 (if 2007 revision)/ chapter 4 (if 2011 revision)] of U.S. Government Auditing Standards and must include:

⁸ "Closeout" audits must specify that are closeout audits on the title page. A closeout audit is an audit for an award that expired during the period audited.

1. The auditor's opinion on whether the fund accountability statement presents fairly, in all material respects, program revenues, costs incurred, and commodities directly procured by USAID for the year then ended in accordance with the terms of the agreements and in conformity with generally accepted accounting principles or other basis of accounting. This opinion must clearly state that the audit was performed in accordance with U.S. Government Auditing Standards or specific alternative standards if applicable (see paragraph 2.9.d of the Guidelines). Any deviations from these standards, such as noncompliance with the requirements for continuing professional education and external quality control reviews, must be disclosed (See Example 7.1.A of the Guidelines).
 2. The fund accountability statement identifying the program revenues, costs incurred, and commodities and technical assistance directly procured by USAID for the fiscal year. The statement must also identify questioned costs not considered eligible for reimbursement and unsupported, if any, including the cost of any commodities directly procured by USAID whose existence or proper use in accordance with agreements could not be verified. All material questioned costs resulting from instances of noncompliance with agreement terms and applicable laws and regulations must be included as findings in the report on compliance. Also, the notes to the fund accountability statement must briefly describe both material and immaterial questioned costs and must be cross-referenced to any corresponding findings in the report on compliance (see Example 6.1 of the Guidelines). All questioned costs in the notes to the fund accountability statement must be stated in U.S. dollars. The U.S. dollar equivalent should be calculated at the exchange rate applicable at the time the local currency was disbursed to the recipient by USAID.
 3. Notes to the fund accountability statement, including a summary of the significant accounting policies, explanation of the most important items of the statements, the exchange rates during the audit period and foreign currency restrictions, if any.
- C. A report on the auditor's review of the schedule of cost-sharing/counterpart contributions. The report must follow the guidance in the AICPA Statements on Standards for Attestation Engagements, Attestation Standard (AT) for review reports AT100.64. The report must include:
1. A review report on the cost-sharing/counterpart contribution schedule. This review report must state that the review was conducted in accordance with AICPA standards. It should also explain that a review is more limited in scope than an examination performed in accordance with AICPA standards, and state that an opinion on the schedule is not expressed. The report must identify questioned costs related to the provision of, and accounting for, cost-sharing/counterpart contribution fund, with a reference to the corresponding finding in the report on compliance if the questioned costs are material. The report must provide negative assurance with regard to the provision of, and accounting for, cost-sharing/counterpart contributions for items not tested (see Examples 7.6.A through 7.6.D of the Guidelines).
 2. The cost-sharing/counterpart contributions schedule identifying questioned costs (see Examples 6.2.A and 6.2.B or the Guidelines). Cost-sharing contributions that are

unreasonable, prohibited by the agreements or applicable laws and regulations, or not program related are ineligible. Cost sharing/counterpart contributions that lack adequate documentation or do not have required prior approvals or authorizations are unsupported.

3. The cost-sharing/counterpart contributions schedule identifying the budgeted amounts required by the agreements,⁹ the amounts actually provided, and any cost-sharing/counterpart contributions shortfalls (see Example 6.2.B of the Guidelines).
4. Notes to the cost-sharing/counterpart contributions schedule that briefly explain the basis for questioned costs and shortfalls, if applicable. The notes must be cross-referenced to the corresponding findings, if the questioned costs are material, in the report on compliance.

D. The auditor's report on internal control. The auditor's report must include as a minimum:

- (1) the scope of the auditor's work in obtaining an understanding of the internal control and in assessing the control risk, and;
- (2) the significant deficiencies including the identification of material weaknesses in the recipient's internal control.

Significant deficiencies must be described in a separate section (see paragraphs 5.2 through 5.4 of the Guidelines). This report must be made in conformance with AICPA Professional Standards AU-C 265 (Communicating internal control related matters identified in and audit) and the standards for reporting in [Chapter 5 (if 2007 revision)/Chapter 4 (if 2011 revision)]. Any other matters related to internal control – such as suggestions for improving operational or administrative efficiency or internal control, or control deficiencies that are not significant deficiencies or material weaknesses – may be communicated through a separate management letter that should be referred to in the report on internal control and sent with the audit report (see Examples 7.2.A and 7.2.B of the Guidelines).

E. The auditor's report on the recipient's compliance with agreement terms and applicable laws and regulations related to USAID-funded programs. The report must follow the guidance in AICPA Professional Standards AU-C, section 935 (Compliance Audits).

- Material instances of noncompliance must be described in a separate section (see paragraphs 5.2 through 5.4 of the Guidelines). Non-material instances of non-compliance must be communicated to the recipient in a separate management letter that should be sent with the audit report (see Examples 7.3.A and 7.3.B of the Guidelines).
- All material questioned costs resulting from instances of noncompliance must be included as findings in the report on compliance. Also, the notes to the fund accountability statement that describe both material and

⁹ This step is required for audits of agreements that present cost-sharing/counterpart contribution budgets on an annual basis and for closeout audits of awards that present cost-sharing/counterpart contribution budgets on a life-of-project basis. See paragraphs 4.12 and 4.13 of the Guidelines.

immaterial questioned costs must be cross-referenced to any corresponding findings in the report on compliance.

1. The auditor's report must include all conclusions, based on evidence obtained, that a fraud or illegal act either has occurred or is likely to have occurred. This report must include an identification of all questioned costs, if any, as a result of fraud or illegal acts, without regard to whether the conditions giving rise to the questioned costs have been corrected and whether the recipient does or does not agree with the findings and questioned costs. Abuse that is material, either quantitatively or qualitatively, must also be reported.¹⁰
 2. In reporting material fraud, illegal acts, or other noncompliance, the auditors must place their findings in proper perspective. To give the reader a basis for judging the extent seriousness of these conditions, the instances identified should be related to the universe or the number of cases examined and is quantified in terms of U.S. dollar value, if appropriate. In presenting material fraud, illegal acts, or other noncompliance, auditors must follow the reporting standards contained in [Chapter 5 (if 2007 revision)/Chapter 4 (if 2011 revision)] of U.S. Government Auditing Standards. Auditors may provide less extensive disclosure of fraud and illegal acts that are not material in either a quantitative or qualitative sense. Chapter 4 of U.S. Government Auditing Standards provides guidance concerning factors that may influence auditors' materiality judgments. If the auditors conclude that sufficient evidence of fraud or illegal acts exist, they must contact RIG/Pretoria and exercise due professional care in pursuing indications of possible fraud and illegal acts so as not to interfere with potential future investigations or legal proceedings.
- F. The schedule of computation of indirect cost rate (see Example 6.3 of the Guidelines) and the auditor's report on the schedule of computation of indirect cost rate. This should be a separate report prepared in accordance with guidance set forth in Example 7.4 of the Guidelines).
- G. The recipient's general purpose financial statements on an organization-wide basis and the auditor's report on them. These statements and the report on them only apply to recipients with an indirect cost rate that needs to be audited, unless the mission specifically requests that the statements be audited.
- H. The findings contained in the reports on internal control and compliance related to USAID-funded programs must include a description of the **Condition** (*what is*) and the **Criteria** (*what should be*). The **Cause** (*why it happened*) and **Effect** (*what harm was caused by not*

¹⁰ Abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. Abuse does not necessarily involve fraud, violation of laws, regulations, or provisions of a contract or grant. If during the course of the audit, auditors become aware of abuse that could be quantitatively or qualitatively material to the financial statements, auditors should apply to the financial statements or other financial data significant to the audit objectives. After performing additional work, auditors may discover that the abuse represents potential fraud or illegal acts. Because the determination of abuse is subjective, auditors are not required to provide reasonable assurance of detecting abuse.

complying with the criteria) must be included in the findings. In addition, the findings must contain an *actionable Recommendation* that corrects the cause and the condition, as applicable.

It is recognized that material internal control weaknesses and noncompliance found by the auditors might not always have all of these elements fully developed, given the scope and objectives of the specific audit. The auditors must, however, at least identify the condition, criteria, and possible effect to enable management to determine the cause. This will help management take timely and proper corrective action.

- I. Firms are expected to exercise independent judgment throughout the audit engagement, including in reporting on questioned costs. Indications of a lack of independence may result in removal of firms from the list of firms eligible to conduct audits of USAID funds. Findings that involve monetary effect must:
 1. Be quantified and included as questioned costs in the fund accountability statement, the Auditor's Report on Compliance, and cost-sharing/counterpart contributions schedule (cross-referenced).
 2. Be reported without regard to whether the conditions giving rise to them were corrected.
 3. Be reported whether the recipient does or does not agree with the findings or questioned costs.
 4. Contain enough relevant information to expedite the audit resolution process (e.g., number of items tested, size of the universe, error rate, corresponding U.S. dollar amounts, etc.).

The reports must also contain, after each recommendation, pertinent views of responsible recipient officials concerning the auditor's findings and actions taken by the recipient to implement the recommendations. If possible, the auditor should obtain written comments. When the auditors disagree with management comments opposing the findings, conclusions or recommendations, they must explain their reasons following the comments. Conversely, the auditors should modify their report if they find the comments valid.

Any evidence of fraud or illegal acts that have occurred, or are likely to have occurred, must be included in a separate written report if deemed necessary by RIG/Pretoria. This report must include an identification of all questioned costs as a result of fraud or illegal acts, without regard to whether the conditions giving rise to the questioned costs have been corrected or whether the recipient does or does not agree with the findings and questioned costs.

- J. The interim audit report and the related reports should be submitted to CORAF/WECARD Executive Secretariat within fifteen (15) days after the end of the field mission, which will begin in the first **week of April each year**.

VI. INSPECTION AND ACCEPTANCE OF AUDIT WORK AND THE REPORT

RIG/Pretoria is responsible for assuring that the work performed under this statement of work complies with U.S. Government Auditing Standards and the "Guidelines for Financial Audits Contracted by Foreign Recipients." To accomplish this objective, RIG/ Pretoria will perform desk reviews on every final audit report and will perform quality control reviews of the audit documentation of a select sample of final audit reports received from the independent auditors.

For quality control reviews, the audit firm must ensure that all audit records related to USAID agreements are available to enable RIG/ Pretoria auditors to complete and support their review. To this end, RIG/ Pretoria auditors must have access to all pertinent audit documentation and records of the recipient and their sub-recipients and make excerpts, photocopies, and transcripts.

As no audit costs may be charged to a USAID agreement if audits are not performed in accordance with the Guidelines, it is incumbent upon the auditor to produce a final product that meets these requirements. If RIG/ Pretoria rejects the work of the audit firm due to noncompliance with the Guidelines, the audit costs may not be charged to the USAID agreements until RIG/ Pretoria finds the report to be acceptable. USAID must withhold final payment for any work determined to be substandard until acceptable corrective action is taken. Should the audit firm fails to make its report acceptable, either a different recipient-contracted audit firm or RIG/ Pretoria must perform another audit. In such case, the audit firm will not be considered acceptable to perform future audits until RIG/ Pretoria determines that it has undergone an external quality control review, implemented the resultant recommendations, and is capable of substantially improved performance.

VII. RELATIONSHIPS AND RESPONSIBILITIES

The client for this contract is the recipient. RIG/ Pretoria is responsible for responding to inquiries on audit matters during the audit. RIG/ Pretoria also monitors the quality of such audits as mentioned in the Section VI above. The Program Coordinator for RIG/ Pretoria office is the Regional Inspector General, or his/her designee.

Recipients must ensure that all records are available to the independent auditors, all accounting entries and adjustments are made, and all other necessary steps are taken to enable the auditors to complete their work.

USAID Missions ensure that audit agreements between recipients and independent auditors contain a standard statement of work containing all the requirements of the Guidelines. Accordingly, recipients must send all prospective audit contracts to the cognizant USAID mission for approval prior to finalization.

One annual audit must cover all USAID funding to a recipient. Recipients that have funding agreements with more than one USAID mission must send their audit contracts for approval to the nearest USAID mission with which they have an agreement. This USAID mission will act as the designated cognizant mission, unless the recipient is otherwise directed by USAID. The USAID mission may meet with the public accounting firm at the beginning of the audit to explain any financial/compliance areas of concern that they want emphasized. The USAID mission may also attend the exit conference. The USAID mission should provide the following information to the auditors for the entrance conference:

1. A list of all payments made for assets, equipment, materials, and technical assistance purchased by USAID from third parties for the period being audited with copies of vouchers with supporting documentation.
2. A list of all advances and recoveries made during the audit period.
3. A list of all disbursements made to the recipient.
4. A copy of the Guidelines for Financial Audits Contracted by Foreign Recipients (February 2009) that the auditors can use to evaluate their audit report.

USAID missions monitor and ensure the audit firm's submission of required recipient-contracted audit reports.

It is the responsibility of the recipient-contracted audit firm to perform audits pursuant to the Guidelines and to present audit reports in a timely manner. The public accounting firm must properly maintain and store the audit documentation for a period of three years from the completion of the audit. During this three-year period the audit firm shall immediately provide the audit documentation files when requested by the USAID mission or RIG/ Pretoria and allow them full access and copies of their audit documentation. Public accounting firms that are nonresponsive or do not provide timely responses to questions raised by the USAID mission or RIG/ Pretoria shall be temporarily or permanently excluded from performing additional audits.

VIII. TERMS OF PERFORMANCE

The effective date of this contract and statement of work will be the date of the Senior Partner of the Audit Firm's (or his designee's) signature.

The audit should begin as soon as possible after the signing of the audit contract. Recipients must submit final audit reports to the USAID West Africa Mission, who will forward final, signed, electronic or hard copy reports to RIG/ Pretoria for review and release. RIG/ Pretoria must receive the audit report within 9 months after the end of the audited period. To this end, interim audit work is likely to be needed except in the case of recipients with few transactions. This practice makes timely audit reporting possible, does not restrict the scope of certain audit procedures and should result in reduced audit costs.

Payment will be as follows:

1. 40 percent on the date of this contract,
2. 35 percent on the date the recipient receives the final report, and
3. 25 percent on the date RIG/ Pretoria approves and issues the final report.

IX. TERMS AND CONDITIONS

a) Consultant Profile

The audit firm must be a firm of international reputation with experience of similar missions and a good command of the OHADA Accounting System (SYSCOHADA). In addition, the auditor must provide a good ability to audit the financial statements of an institution managing several development programs, have a good knowledge of USAID procedures

The firm must be certified by USAID

The team responsible for this audit will be led by a Certified Public Accountant registered with a recognized professional accounting body and will include a Head of Mission (Auditor Manager) Certified Public Accountant registered with a recognized accounting professional, a Procurement Specialist and Senior Auditors with significant experience in auditing and analyzing accounts.

The other members of the team must present the following profile:

- At least seven years in office;
- Strong project audit expertise;
- An experience specific with the mandate

The firm should present the team proposed for the mission. Particular attention will be paid to the competences of the team and those of its manager. The proposed persons must have significant experience in the field of auditing financial statements and financial auditing of development programs in Africa.

The firm will ensure that the proposed stakeholders are available during the mission period.

The description of the profile of each member of the team must be validated by CORAF/WECARD.

X. Procedures for selection of consultants

The consultant will be selected in accordance with the procedures outlined in the Guidelines: "Selection and Use of Consultants in IBRD Loans, IDA Loans and Grants by the World Bank Borrowers", January 2011 version

XI. AVAILABILITY OF INFORMATION

CORAF/WECARD undertakes to facilitate access to all legal, administrative, accounting and financial documents as well as exchanges of correspondence and other information considered necessary for knowing CORAF/WECARD and its environment

XII. SPECIAL CONDITION

In accordance with the provisions adopted by CORAF/WECARD Board of Directors, the Audit and Finance Committee of the Board of Directors is the direct interlocutor of the External Auditor. To this end, the mission letters relating to external audits are submitted to the Audit and Finance Committee for comments and suggestions. In addition, the report and recommendations resulting from the External Audit should also be discussed with this Audit and Finance Committee and with the Executive Secretariat before finalization and presentation to the Board of Directors. (Cf. 15th Ordinary Session of CORAF/WECARD Board / Minutes of the Audit & Finance Committee).