

Annex 2

Terms of Reference – External Auditors to conduct Due Diligence Assessment

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| 1 | Activity Title | Dakchyata : TVET Practical Partnership Programme (henceforth called Dakchyata) |
| 2 | Background | <p><i>Dakchyata: TVET Practical Partnership</i> is a skills development project funded by the European Union (EU) and implemented by the British Council, under the leadership of the Ministry of Education, Science and Technology, in coordination with the Council for Technical Education and Vocational Training (CTEVT). The specific objective of the project is to strengthen and implement a more effective policy in the TVET sector, responsive to labour market needs. The project also aims to pilot an integrated Public Private Partnership (PPP) approach in three key economic sectors: i) agriculture (commercial farming and food production) ii) construction, and iii) tourism, offering opportunities for promoting the transition to a greener, climate resilient, low-emission economy.</p> <p>Under the grants programme, Dakchyata will provide funding for activities targeted towards improving the TVET sector through piloting innovative Public-Private Partnership (PPP) models aimed at enhancing the relevance, quality and sustainability of TVET up to a maximum total value of 9 million Euros. A combination of streams will be pursued to award grants to organisations to pilot innovative PPP models to enhance the relevance, quality and sustainability of TVET provision in Nepal.</p> <p>The purpose of this engagement is to perform specific agreed-upon procedures in order to carry out Due Diligence of shortlisted organisation who may be considered for funding subject to assurance that their internal control and management systems, organisational structure and capacity to undertake and deliver the project is adequate. It is essential to identify risks and weakness of the organisations capability and capacity both in the financial management and technical capability to handle the grant funds.</p> |
| 3 | Objectives of consultancy | <p>The British Council is seeking services from an Auditing firm that is a member an internationally-recognised supervisory body for statutory auditing to carry out Due Diligence of shortlisted organisations considered for award of grants under the Practical Partnership Fund. A total of 9 million EUR has been allocated to the grant fund, with grant awards expected to range from 200,000 EUR up to 1,000,000 EUR.</p> <p>The Auditors will be required to provide services for the verification and assessment of pre-selected organisations to ascertain that reasonable quality control systems are in place related to organisation's governance, internal control systems, and technical capacity to deliver the proposed grant funded</p> |

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| | | <p>projects. Applicant organisations (henceforth called Applicants) will be assessed against areas related to organisational and governance structure, staffing, financial management and accounting policies, systems and procedures, information systems and monitoring, assessment of internal control, existence of operational policies and guidelines, compliance and reporting standards and identification of key risks that the British Council must consider prior to the finalisation of grant award decisions.</p> <p>The successful Audit firm will be awarded with a long term framework contract for a period of one year to conduct the assessments as and when required. Detailed service orders will be issued to perform the tasks as required during the contract period.</p> <p>Initial requirements will focus on conducting due diligence of organisations selected through the current grant call through which up to EUR 4,000,000 has been made available. Eligible entities include:</p> <ul style="list-style-type: none"> - TVET service provider organisations (training providers, NGOs, enterprises, cooperatives, etc.) working in agriculture, tourism or construction, and - Employer associations, federations, confederations, local chambers of commerce, or commodity associations representing the private sector in one of the three targeted sectors (or sub-sectors). <p>Under this recent call for EOI, it is expected that approximately 12 organisations may be provisionally selected for due diligence assessments. It is expected that assessments will need to be conducted between 25 February and 22 March 2019. The exact number of organisations to be assessed will be confirmed following the screening and proposal development has been carried by Dakchyata.</p> |
| 4 | Scope of Work | <p>The Auditor shall undertake this engagement in accordance with these ToR :</p> <p>The Nepal Standard on Assurance Engagements (NSAE) 3000 gives guidance to practitioners (defined by ISAE 3000 as 'professional accountants in public practice') for the performance of assurance engagements other than audits or reviews of historical financial information. A summary of the key requirements of NSAE 3000 is shown below:</p> <ul style="list-style-type: none"> • Ethical requirements: practitioners should comply with ethical requirements (Parts A and B of the Handbook of the Code of Ethics for Professional Accountants issued by the ICAN)). • Quality control: the practitioner should implement quality control procedures that are applicable to the individual engagement. • Engagement: the terms of the engagement should be recorded in an engagement letter, and the practitioner should agree on the terms of the engagement with the engaging party. • Planning and obtaining evidence: the practitioner should plan the engagement so that it will be performed effectively, and should consider materiality and assurance engagement risk, and sufficient appropriate evidence should be obtained on which to base the conclusion |

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| | | <ul style="list-style-type: none"> The practitioner should obtain representations from the responsible party, as appropriate In compliance with the Handbook of the Code of Ethics for Professional Accountants issued by the ICAN). Although NSRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the BC requires that the Auditor also complies with the independence requirements of the Code of Ethics for Professional Accountants. |
| 5 | Duration and Timeline | <p>The input period for this assignment will begin from 18 February 2019.</p> <p>The first set of organisational DD assessments will take place between 25 February and 22 March 2019. Approximately 12 applicant organisations are expected to be shortlisted at this stage for due diligence assessments, though the exact number will be confirmed in February. Applicant organisations may be located in any province of Nepal.</p> <p>Further due diligence assessment are likely to be required at a later date under subsequent selection procedures.</p> <p>The exact number of organisations will be determined only after the preliminary assessment of the eligible applications. It is not possible to predict the number of applications that will be received, so the British Council cannot guarantee a minimum number of organisations that need to be assessed for due diligence. The number and location of the Grantees Organisation to be assessed will be confirmed at the time of the contract and or service order. It is expected that the assignment shall be concluded, on submission and acceptance of the Auditors' final deliverables, within the limited time frame.</p> <p>The Auditor firm is expected to submit a report within one week of carrying out the review for each organisation separately.</p> |
| 6 | Activities | <p><u>A: Review of management system and controls for the project</u></p> <p>The Auditor must first ensure they have sufficient understanding of the terms and conditions of the proposal document, previous years audit reports and other supporting documents, including but not limited to the organisation legal registration, bylaws etc. Following the desk review and analysis of each organisation's relevant documents the auditors are required to carry out visits to each Applicant (Lead organisation's) registered office and location for contract delivery to assess:</p> <ul style="list-style-type: none"> The integrity of the organisation's operational status, structure, purpose and objectives; The governance system of the organisation including administration, human resource management, programme and organisational management, Financial management assessment, financial status, viability and capacity to manage the provisional grant funds, assessing capacity for planning and budgeting, The robustness of the organisation's operational and commercial systems, |

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| | | <p>processes and procedures, procurement capability of the organisation management and financial accounting management and reporting, auditing, internal controls, efficiency and cost effectiveness of its procurement and logistics systems, information management, reporting, compliance with all relevant policies, laws, rules and regulations procedures for managing environmental risks</p> <ul style="list-style-type: none"> • The capacity, technical skills and relevant experience to manage activities proposed in the project proposal. <p>The auditors must inform themselves of the British Council's Child Protection Policy and carry out an assessment in its context to assess if an organisation works with children (0-18) or vulnerable adults this will include an assessment whether children are employed and policies and procedures to keep children or vulnerable adults safe.</p> <p>The Auditor must satisfy himself that relevant, reliable and sufficient evidence exists that the systems and structure of the organisation is in suitable form/condition to manage funds and carry out the proposed activities. Determination will be made through the following approaches:</p> <ul style="list-style-type: none"> • Review existing documents in relation to assessment and grants fund mechanism • Conduct desk review and prepare assessment criteria, benchmark and score sheets • Prepare relevant materials to conduct assessment and to carry out due diligence • Conduct field visit in co-ordination with the Dakchyata team • Collect the appropriate document for the purpose of reports. <p>Substantiate the findings with the physical documentation</p> <ul style="list-style-type: none"> • Assess governance of the Grantee's organisations including organisational structure and staffing, existence of contract, accounting policies and procedures, information systems and monitoring • Assess Applicant's internal controls, operational guidelines, compliances and reporting standard • Identify key risks (if any) and recommend the areas of improvement of operation, program design, implementation and evaluation, fraud prevention and safeguarding • Assess policies on safety, safeguarding, gender child protection • Assess that the previous projects if any implemented by the Applicant have met the value for money <p>Auditors will be accompanied in each assessment by at least one Dakchyata project representative.</p> |
| 7 | Deliverables | <p>The auditor will issue an individual Due Diligence Report (DDR) for each Applicant in line with agreed-upon procedures as above regarding "review of the management systems and controls for the project along with management and technical capability. A proposed template for the DDR must be submitted as part of the RFP submission.</p> |

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| | | This must also include key risks categorisation and recommendations on priority areas for capacity improvement |
| 8 | Planning, Procedures, Documentation and Evidence | The Auditor should plan the work as to carry out an effective review of management systems and controls for the project, governance, systems and financial management capacity, organisational structure, compliance with law and policies technical experience and resources to deliver the project. For this purpose he will perform the procedures specified in these ToR ('Scope of Work') and use the evidence obtained from these procedures as the basis for the report for factual findings. The Auditor should document matters which are important in providing evidence to support the report of factual findings, and evidence that the work was carried out in accordance with NSRS 4400 and these ToR. |
| 9 | Instructions for Reporting | <p>The report should describe the purpose, the steps carried out and assessment results in sufficient detail in order to enable the Consultant and the Contracting Authority to understand the nature and extent of the procedures performed by the Auditor.</p> <p>Report should show executive summary, which clearly shows findings and recommendations for each organisation in the agreed template. A proposed template for the DDR must be submitted as part of the RFP submission.</p> |
| 10 | Qualifications and experience required | <ul style="list-style-type: none"> • The Audit firm should be registered under Nepal Government and should provide the VAT registration certificate and updated clearance certificate and company renewal. • The Audit firm should be in existence or registered for at least 2 years as on the date of submission of the proposal. • The Audit firm should be able to mobilize two Auditors in each group (Two groups) at one time to complete the assignment within the stipulated time (please see Section 5 above for indicative dates and duration of initial inputs). The Auditors must be a Chartered Accountant with more than 3 years of practical experience for lead, and 1 year of practical experience for assistant in the field of Public Financial Management, capacity assessment, fiduciary risk review and assessment. S/he is expected to have been involved in sector fiduciary review work, and due diligence assessment. • Signed (original) and dated (latest) CVs of the Auditors who meet the academic and professional experiences mentioned above |
| 11 | Administrative information | <p>Equipment</p> <ul style="list-style-type: none"> • The Auditors will be expected to provide their own office equipment i.e. laptops, mobile phone etc. <p>Invoicing</p> <ul style="list-style-type: none"> • Payment will be made in arrears on acceptance of deliverables and receipt of corresponding invoice and timesheets. An indicative payment schedule will be agreed and form part of the contract/ service order. <p>Fee rate and expenses</p> |

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| | | <ul style="list-style-type: none"> The daily fee rate for the Auditors will be considered an all-inclusive fee, including all applicable Government taxes such as VAT, and cover all cost like field visit travel cost(except Air Ticket) , accommodation cost, preparation cost, report writing and all other work required for completion of the services. In addition to the agreed daily fee rate, Dakchyata will reimburse only the domestic air ticket cost as per the agreed schedule on specified field visit. <p>Working days</p> <ul style="list-style-type: none"> For the purposes of this assignment “Working Hours” and “Working Days” shall mean an 8 hour day, 9 a.m. to 5 p.m. local time Sunday to Friday. Work on weekend days may be required from time to time, and must be agreed in advance. |
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