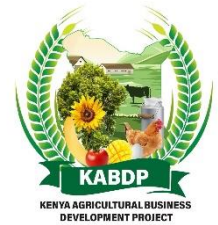


MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT
STATE DEPARTMENT FOR AGRICULTURE



TERMS OF REFERENCE

FOR
ROLLING AUDIT SERVICES TO KENYA
AGRICULTURAL BUSINESS
DEVELOPMENT PROJECT (KABDP)
2024-2029

May 2024

Acronyms

AGDP	- Agriculture Gross Domestic Product
ASDS	- Agriculture Sector Development Strategy
ASDSP	- Agricultural Sector Development Support Programme
CECM	- County Executive Committee Member
CG	- County Government
COG	- Council of Governors
CPSa	- County Project Secretariats
CSAS	- Climate Smart Agriculture Strategy
CSO	- Civil- Society Organization
DP	- Development Partners
EoS	- Embassy of Sweden
FY	- Financial Year
GOK	- Government of Kenya
GOS	- Government of Sweden
INTOSAI	- International Organisation of Supreme Audit Institutions
IFAC	- International Federation of Accountants
JASCCM	- Joint Agriculture Sector Consultation and Coordination Mechanism
JASSCOM	- Joint Agriculture Sector Steering Committee
KABDP	- Kenya Agricultural Business Development Project
MoALD	- Ministry of Agriculture and Livestock Development
MoUs	- Memorandum of Understanding
OAG	- Office of the Auditor General
NPS	- National Project Secretariat
PAVCAs	- Priority Agriculture Value Chain Actors
PAVCOs	- Priority Agriculture Value Chain Organizations
PAVCs	- Priority Agriculture Value Chains
VCAs	- Value Chain Actors
VCD	- Value Chain Development

Terms of Reference for the Rolling Audit: Kenya Agricultural Business Development Project (KABDP), 1st March 2024 to 30th June 2029

1.0 BACKGROUND

Kenya Agricultural Agribusiness Development Project (KABDP) is a government of Kenya designed project aimed to contribute to the sector strategy, ASTGS 2019-2029 and the new government BETA Plan for Agriculture. KABDP builds on the achievements of ASDSP I and II and other projects in the agriculture sector and draws from Sweden's long development cooperation with Kenya. The project is implemented by all 47 county governments and the MOALD and addresses key issues that include: inadequate business skills among value chain actors, low agricultural productivity, climate change impacts, limited access to capital for women and youth, and insufficient institutional support. KABDP is aligned with national strategies, such as Kenya's Constitution 2010, Vision 2030 and Kenya's Bottom-Up Transformation Agenda (BETA), to promote inclusive economic growth and agricultural commercialization. The purpose of the project is to "improve market access for targeted agricultural priority value chain actors produce and products "in the project areas in order to improve incomes, create employment and provide food and nutrition security. This objective will be achieved through the following interventions: i) Enhancing the business development knowledge and skills among the PAVCAs and their associated PAVCOs; ii) increase market volumes of PAVC produce and products; iii) enhancing resilience of the agribusinesses to environment and climate change effects; and iv) strengthening the agricultural business development policy and institutional environment.

The GoK and GoS have agreed through the Specific Agreement to KABDP continue to integrate an external system of Rolling Audit (Article 13) so that it can assist counties strengthen capacity on financial management while at the same time complementing the Office of the Auditor General in the depth of auditing of the project resources and value for money.

1. Overall Objective of assignment

The objective of the rolling audit will be to:

- i) Carry out a rolling audit to financially review and follow-up on the management and utilization of all projects funds (MoALD, 47 CGs and GoS) that will be disbursed to the 48 KABDP spending units during the implementation period, March 2024 to June 2029.
- ii) Monitor and follow-up of the project resources including human and all other project assets and in-kind contributions in the course of undertaking the rolling audit, assess the financial management gaps and strengthen institutions, the capacity of those responsible for the project financial management all levels of implementation

ROLLING AUDIT ASSIGNMENT

2.1 Background to the Rolling Audit Assignment

The GoS and GoK strengthened the transparency and accountability of project resources by infusing a rolling audit system that has had dual purpose to project financial management, one to build the capacity of implementers on a whole wide of good financial management and support the national audit office to provide audited accounts of the project in a timely manner. Since then, the system of rolling audit has enable prudent use of project resources with assessment showing that questioned costs have declined from a high of 39% in 2000 to a low of less than 3%. In 2022/23 Even more important to note is that the questioned costs are related to management and not as a results of loss of project funds.

The GoK and GoS have agreed through the Specific Agreement to KABDP continue to integrate an external system of Rolling Audit (Article 13) so that it can assist counties strengthen capacity on financial management while at the same time complementing the Office of the Auditor General in the depth of auditing of the project resources and value for money.

2.2 Objective of the Rolling Audit

The objective of the rolling audit will be to:

- i) carry out a rolling audit to financially review and follow-up on the management and utilization of all projects funds (MoALD, 47 CGs and GOS) that will be disbursed to the 48 KABDP spending units during the implementation period, March 2024 to June 2029.
- ii) Monitor and follow-up of the project resources including human and all other project assets and in-kind contributions
- iii) in the course of undertaking the rolling audit, assess the financial management gaps and strengthen institutions, the capacity of those responsible for the project financial management all levels of implementation.

Specifically, The Rolling Audit shall cover the following areas unless otherwise guided from time to time by the NPC:

- i) Regular independent financial appraisals of the Project.
- ii) Review the risk management policy framework.
- iii) Flag out potential financial problems up-front.
- iv) Conduct value for money reviews.
- v) Conduct forensic reviews when necessary to further track usage of funds.
- vi) Track disbursement of funds from the sources to spending units, mapping the flow and timing of disbursements and reporting.
- vii) Review and establish whether expected outputs from specific activities have been accomplished.
- viii) Assess and review the effectiveness and efficiency in the usage of the project human resources and asset at all levels of implementation.
- ix) Assess and strengthen the financial management capacity and skills among the officers involved in financial management of the project.

2.3 Consultancy Scope of Work

The Rolling Audit services assessment will be based on four broad areas:

a) Provide bi- Annual Audit reports that include:

- i. Flow of funds to the Project from the MoALD, 47 Counties, GoS and any other funds from other sources to the spending units.
- ii. Implementation of approved annual work plans
- iii. Receipt and expenditure validation in all spending units.
- iv. Internal control on management and financial systems.
- v. Management of the human and other project assets
- vi. A complimentary aspect to project management on monitoring and evaluation and the systems deployment.
- vii. Implementation of prior period audit recommendations.
- viii. Recommendations to the management to address significant internal control weaknesses identified.

b) Value for Money Analysis:

- i. Review physical outputs and funds utilisation including verification of accomplishment of outputs from specific activities.
- ii. Analytical reviews of actual expenditure to the budget.
- iii. Review the effectiveness and efficiency of the management and governance structures.
- iv. Review the Receipt and expenditure validation by implementing partners at all levels including the Grant funds on business development and resilience enhancement innovations in results area 1.2, 3.2 and 3.3)
- v. Review the effectiveness in the use of project assets with emphasis on all motorised units
- vi. Review the procedures used in the procurement of goods and services.

c) Operational auditing

- i. Review the books of accounts maintained by all the spending units
- ii. Review Financial and cash management systems
- iii. Review the supply chain management system
- iv. Conduct verification of tangible and intangible activities
- v. Review the Monitoring & Evaluation reports and actions taken

d) In-situ (On-the-Job) capacity strengthening

- i. Assess capacity needs among the people involved in project financial management as part of auditing process
- ii. Identify and bring out to attention of any serious capacity gaps and potential financial risks to the project and sector management
- iii. Build capacity and strengthen financial management skills at point of weaknesses and capacity gaps identified
- iv. Recommend for further training where on-the job training will not be adequate.
- v. Facilitate KABDP management at both levels of government to take corrective measures and action in a timely manner

e) Compliance with Laws and Regulations

The rolling audit should review adherence and compliance with the following:

- i) Compliance with the Government Financial Regulations and procedures.
- ii) Compliance with reporting requirements of both GoK and Sida;
- iii) Compliance with the funding agreement.
- iv) Compliance with project Intergovernmental agreements (MOUs) between the national government and county governments
- v) Compliance with relevant KABDP, project document, project implementation framework, implementation guidelines, and manuals and
- vi) in accordance with international standards issued by the international Organisation of Supreme Audit Institutions (INTOSAI) or the International Federation of Accountants (IFAC) or in accordance with comparable national standards

f) Any other task related to audit as may be given from time to time by the Client

This will be related to issues that are raised through the reporting of corruption and where the management has been informed of misuse of project resources.

2.4 Rolling Audit Schedule

The first rolling audit will be for the period March 2024 to June 2025. The report is expected to be ready by 30th September 2025. The rolling audits for the subsequent financial years starting 2025/26 will be undertaken semi-annually and annually. The semi-annual reports will be shared as per audited station, one month after the audit of the station, while the annual reports will be submitted

by 15th December each year. The annual audit shall also constitute the post-mortem audit for the whole financial year.

The selected audit firm in consultation with KABDP management will produce a schedule of how it proposes to audit all the spending units by End of August and February every year.

2.5 Rolling Audit Method

The auditor shall present to the accounting officer through the National Project Coordinator KABDP, their proposed work programme for the implementation of the five-year Rolling Audit plan divided into two phases, phase one to cater for the period 1st July 2024/25, 2025/26 and 2026/27 while the second phase covers 2027/28 and 2028/29.

In consultation with the NPSC, NPS, COG, and the CASSCOMS and CPSs the auditor will develop respective semi-annual visit schedule to the 48 spending units.

The auditor shall prepare an audit plan as per the agreed schedule and visit the spending units to carry out the actual Audit.

The Auditor in consultation with the NPSC and NPC, may visit MoALD, Counties, national and county treasuries, Auditor General's Office, Swedish Embassy, internal audit units at the two levels, accounting officers, and KABDP management teams at all levels as well as PAVCOs and PVCAs in selected counties.

Any questions/ clarifications regarding the implementation of the Rolling Audit shall be directed to the accounting officers at both levels through the KABDP project coordinators.

The Auditor shall have quarterly meetings with National Project Coordinator and COG to review progress of rolling audit. The meetings and meeting venues shall be determined and chaired alternately between Auditor, NP. and COG

The Auditor shall hold a tripartite meeting twice in the financial year if necessary between Auditor, Embassy of Sweden in Nairobi and any other DP and GoK (NPC and CoG).

2.6 Reporting

The consultant will provide regular audit reports to NPSC and NPC. The final annual audit reports shall be shared with National Treasury and Embassy of Sweden in Nairobi through the normal government procedures.

a. Semi-annual and annual reports

- The consultant shall provide to the respective CASSCOMs and NPSC through CPCs and NPC, County Specific rolling audit reports while the annual consolidated audit report shall be shared to with NPSC through NPC with the approved annual consolidated audit report shared with National Treasury and the Embassy of Sweden in Nairobi.
- The Rolling Auditor shall discuss with auditees their audit findings before drafting the interim reports
- The Rolling Auditor shall submit draft interim audit reports to the project management of the implementing stations (NPC and CPCs) for comments within 14 working days after the audits are carried out.

- The management on their part shall submit comments to the consultant within 14 days after receipt of the rolling audit comments.
- The Rolling Auditor shall incorporate the comments and submit a final implementing station reports to the CPCs and NPC with a copy to the County relevant departments (for respective counties) and to NPSC for NPS.
- The annual audit report shall be the consolidation of respective counties rolling audits into one project audit report that shall be submitted to NPSC through NPC for approval and submission to MOALD, COG, The National Treasury, Office of the Auditor General (OAG) and GOS.
- When requested, the Rolling Auditor shall present and discuss the report with the Principal Secretaries of the MoALD, COs of relevant departments and National and county Treasuries, the KABDP project coordinators, JASSCOM and Sweden, jointly or individually.
- The Principal Secretaries and Chief Officers shall submit their written comments to the Rolling Auditor within 10 working days after receipt of the draft reports.
- The Rolling Auditor shall then submit a final report within 10 working days to the Auditor General copied to those offices listed under confidentiality section (8) above.

All communication with the Client shall be in English

2.8 Confidentiality

All the audit reports shall remain confidential until they have been approved by NPSC and submitted to OAG who has the authority to release the finding to the public.

2.9 Timing of the Audit Services

The audit services will be for the period of five years July 2024 to June 2027. The contract will be split into two phases, phase one will be for the first three years of the project activity period while phase two will be for the last two years and when funds will be available. Extension of the contract from phase one to two will depend on successful implementation of phase one and when funds for rolling audit will be available. The assessment of the services for renewal shall be done three months before expiry date of phase one contract.