

<p style="text-align: center;">TERMS OF REFERENCE TO AUDIT FINANCIAL STATEMENTS OF FAPA LEDTA GRANT FINANCED BY THE BANK GROUP</p>

1. BACKGROUND

1.1 The African Development Bank Group (the Bank) has been supporting the Government of Lesotho (GOL) in its development efforts since **2017**. A Grant of UA 7.2 million was approved in 2017 to finance Economic Diversification Support Project.

1.2 The overall development objective is to support the implementation of the national strategic development plan that would lead to a diversified and competitive economy. This FAPA Technical Assistance project of USD 991,000.00 complements the UA 7.2 million ECGF Economic Diversification Support Project (EDSP), which supported government's plan and efforts to promote enterprises development and economic diversification in Lesotho, support reforms and develop programs aimed at developing and supporting growth of Basotho SMMEs, diversifying the range of business development services (BDS), developing sustainable delivery of BDS, fostering entrepreneurship culture, improving access to finance, building capacities of public institutions to support the implementation of the policy reforms and promoting product quality and use of standards through improved quality control process.

1.3 To support and complement the EDSP project, this TA aims at strengthening the business associations and networks to meaningfully participate in national and sectoral dialogue and foster cooperation among Basotho entrepreneurs and with foreign investors. This will involve development of shared facilities and services, provision of improved business development services; capacity building in advocacy; business management training; facilitating peer learning;

networking and exchange of experience and information on enterprise development in Lesotho; etc. The beneficiary Associations include: SMME Support Network; Youth Entrepreneurship Forum, Micro Finance Association, Lesotho Hotels and Hospitality Association; Lesotho Federation of Women Entrepreneurs, Maseru Block Farming; Lesotho Chamber of Commerce and Industry and Private Sector Foundation.

1.4 The overall development objective of the TA project is to build an inter-dependent ecosystem of SMME Associations that would contribute towards creating a diversified and competitive economy. The specific objective of the Project is to improve the institutional capacities and effectiveness of business associations in Lesotho by improving partnerships, entrepreneurship, skills development and access to finance and markets.

1.5 The TA project has four components. (i) Institutional Assessment of Business Associations ‘needs, capacity, relevance, delivery and Networking of Stakeholders’¹ (ii) Development of shared services and Business Development Support (iii) Expansion of the Business Development Services Market and (iv.) Project management and coordination.

1.6 A Consultancy Firm was procured by the PMU in cooperation with LCCI through competitive bidding in line with the Bank’s rules and procedures for the recruitment of consultants to implement components 1, 2 and 3. The Consultancy Firm operating within the established partnership framework was responsible for managing the implementation of the three components. The Consultancy Firm was also required to identify and recommend external institutions for the accreditation program; identify local experts and institutions to develop capacity building programs as outlined in the components, ensured that deliverables are completed; and provided performance reports to LCCI and PMU for onward transmission to the Bank as per agreed upon terms of reference and standards established by the Bank.

The project was implemented over a period of two years between January 2019 and June 2021 with six months extension. The Lesotho Chamber of Commerce and Industry (LCCI) is the grant recipient and the executing agency. LCCI collaborated with SMME Support Network for component 2 and Private Sector Foundation for component 3.

¹ Institutions will include Micro-Finance Association, SMME Support Network, Youth Entrepreneurship Forum (YEF), Lesotho Federation of Women Entrepreneurs, Private Sector Foundation, Lesotho Chamber of commerce and Industry, Maseru Farming Block and Lesotho Hotel and Hospitality Association (LHHA)

LCCI as the grantee, has the ultimate responsibility in ensuring appropriate use of grant funds and ensuring compliance with the grant terms and conditions. LCCI provided the necessary administration and logistical support to the consultants, promoting the project among stakeholders; monitoring progress and overall achievement of the project objectives; and facilitating project audit and external evaluation. LCCI in addition provided office space for the project team.

1.7 The project had made use of the Bank's various disbursement methods including (i) Direct Payment, (ii) Special Account (SA) and (iii) Reimbursement methods in accordance with Bank rules and procedures as laid out in the Disbursement Handbook as applicable. In accordance with the Bank's financial reporting and audit requirements, the project was required to prepare and submit to the Bank Interim Quarterly Financial Progress report (IQFPR) not later than forty-five (45) days after the end of each calendar quarter.

I. OBJECTIVE OF THE AUDIT ENGAGEMENT

1.1 The practitioner's objectives in audit of financial statements under ISRE 2400 are to:

2.1.1 Obtain limited assurance primarily by performing inquiry and analytical procedures about whether the financial statements as a whole are free from material misstatement, thereby enabling the practitioner to express a conclusion on whether anything has come to the his/her attention that causes the him/her practitioner to believe that the financial statements are not prepared in all material respects in accordance with an applicable financial reporting framework; and

2.1.2 Form a conclusion, report on the financial statements as a whole, and communicate as required by this ISRE (negative opinion)

2.1.3 Obtain limited assurance whether the project/program books of accounts provide the basis for preparation of the PFSs by the project/program implementing unit and are established to reflect the financial transactions in respect of the project/program. The PIU maintains adequate internal controls and supporting documentation for transactions.

II. RESPONSIBILITY FOR PREPARATION OF FINANCIAL STATEMENTS

2.1 The responsibility for the preparation of PFSs lies with the Project/program Management. The Project/program Management is also responsible for:

- 2.1.1 The selection and application of accounting policies. Project/program Management will prepare the PFSs in accordance with applicable accounting standards-either the International Public Sector Accounting Standards (IPSASs), International Financial Reporting Standards (IFRSs), or National Accounting Standards ;
- 2.1.2 Implementing accounting, administrative and financial procedures documented in the applicable procedure manuals.

The practitioner is responsible for expressing conclusions on the objectives of the audit engagement as stated in paragraph 2.1 above.

III. SCOPE OF THE AUDIT ENGAGEMENT

- 3.1 The audit will be carried out in accordance with the International Standards on audit Engagement (2400) on the following Subject Matters:
 - (a) All funds including counterpart funds and other external funds (in case of co-financing) have been used in accordance with the conditions of the Grant agreement(s), with due attention to economy and efficiency and only for the purposes for which the funds were provided;
 - (b) Goods, works and services financed have been procured in accordance with the financing agreement; and have been properly accounted for ;
 - (c) Appropriate supporting documents, records and books of accounts relating to all project/program activities have been kept;
 - (d) Disbursements of funds have been made based on the Disbursement Handbook and in accordance with the conditions of the Grant or Credit agreements;
 - (e) Special accounts have been maintained in accordance with the provisions of the Grant agreement and in accordance with the Bank's disbursement rules and procedures;
 - (f) Payments made using project/program funds relate to project/program activities as stated in the project/program progress reports;
 - (g) The financial statements have been prepared by project/program management in accordance with applicable reporting framework;
 - (h) There are no ineligible expenditures identified during the audit.

IV. FINANCIAL STATEMENTS

- 4.1 The practitioner shall verify that the PFSs have been prepared in accordance with agreed accounting standards (refer to paragraph III above) and give a true and fair view of the financial position of the project at the relevant date.
- 4.2 For financial reporting purposes, the practitioner shall verify and ensure the PFSs have been presented using the Borrower's functional currency. Where functional currency is not used for the purpose of PFSs presentation, full exchange translation is required. The auditor shall obtain from management the rationale and justification for use of a presentation currency different from the functional currency.
- 4.3 The project/program financial statements prepared by project/program management shall include:
- (i) Statement of Sources² (funds received from the Bank, counterpart funding and where applicable, co-financiers' funding) and Uses of Funds (expenditures incurred for both the current year and accumulated to-date) showing separately Bank's funding, those of counterparty and co-financiers if applicable and cash balances;
 - (ii) Notes to the Financial Statements:
 - a) Describing the applicable accounting policies;
 - b) Giving a breakdown of significant balances;
 - c) Presenting a reconciliation between the amount shown as "received from the Bank" and that shown as having been disbursed by the Bank.

V. SPECIAL ACCOUNTS AND OTHER PROJECT/PROGRAM BANKS ACCOUNTS

- 5.1 The practitioner shall review documents relating to the use of the Special Account (SA) to ensure that:
- a) All Statements Of Expenditures (SOE) submitted in support of SA replenishment are consistent with the supporting documentation;
 - b) The internal control governing the use for SA is adequate and could be relied upon to justify continuous requests for replenishment;
 - c) For each review engagement, based on the outstanding balance on the special account (SA) received from the Bank, the borrower will avail to the practitioner, corresponding

² Any revenue generated by the Project/program e.g. sale of bid documents, disposal of project/program assets, bank credit interests earned in the special account and fees earned should be accounted for and disclosed.

SOE with the supporting documents justifying use of the outstanding balance, for the audit in question.

- d) The practitioner is required to review specific SOE and the related supporting documents and report on its accuracy and objectivity in the Management Letter. Any discrepancy – if material - will be reported likewise in the Management Letter. The SOE including its supporting documents will be attached as an annex to the financial statements in the practitioner’s report.
- e) Any inter-account funds transfers’ between the SA and other project bank accounts on one hand; and between all project bank accounts (including SA) and other non-project accounts during the financial year are justified.
- f) For last audit engagement, determine whether all SA liquidation procedures have been complied with including; submission of all SOEs covering use of SA resources, transfer of unutilized SA balances and closure of SA.

5.2 The practitioner shall :

- a) Agreed cash contributions were budgeted in the central government annual budget and released on time to the project/program either counterpart account as planned.
- b) Ensure all counterpart funds have been used for the purpose of the project/program
- c) Adequate basis exists for valuation of In-kind counterpart contribution for inclusion into the financial statements.

VI. AUDIT REPORT

6.1 The audit report shall be prepared in accordance with International Standards (2400), and should comprise:

(i) A Report on the Financial Statements and

(ii) A Management Letter.

The report on the financial statements will include:

- (a) the practitioner’s statement of negative assurance (opinion) and
- (b) a complete set of project/program’s financial statements including explanatory notes as appropriate.

The Management Letter will:

- i. Identify specific deficiencies and areas of weakness in systems and controls

- ii. Report on the appropriate justification of the special accounts and for the specific case of the last review engagement, indicate the status of and actions taken by management to clear the outstanding balances of the special accounts in the Bank's books and the balances in the special accounts themselves and
- iii. Identify deficiencies and weaknesses issued from the review of project/program technical progress reports (relating to pace of implementation, cost, adherence to technical specifications and similar) and make recommendations for improvement.
- iv. Include reactions/comments from management on the recommendations and weaknesses noted by the practitioner. Expenditures that are considered either ineligible paid out of the special account (s) or which have been claimed from the Bank will be mentioned in the Management Letter based on their materiality.

VII. REVIEW OF THE PRACTITIONER'S REPORT

- 7.1 The Bank shall follow internal review processes and undertake a comprehensive review of the practitioner's and provide feedback to the Borrower with appropriate recommendations including acceptability or otherwise of the report;
- 7.2 In the case of the audit carried out by a private practitioner, payment of the practitioner's fees shall be upon review and clearance of the report by the Bank;
- 7.3 The Bank reserves the right to request and review the practitioner's working papers and any other information related to the work done by the practitioner;

VIII. GENERAL INFORMATION

- 8.1 The audit report should be received by the Executing Agency no later than on the date agreed in the relevant review contract, to enable submission of the audit report to the Bank within the timelines stipulated in the legal agreement;
- 8.2 The practitioner should be given access to all legal documents, correspondence and any other information associated with the project/program as deemed necessary by them. Confirmation of amounts disbursed and outstanding at the Bank should also be obtained. The project/program task manager at the Bank can assist in obtaining these confirmations.
- 8.3 The practitioners should be given access to all technical documents and reports relating to project/program implementation.
- 8.4 It is recommended that the practitioners become familiar with the following documents that may have been prepared by the Bank:
 - (a) General Conditions Applicable to Grant Agreements;
 - (b) Grant Agreement;
 - (c) Project/program Appraisal Report;
 - (d) Financial Management Manual

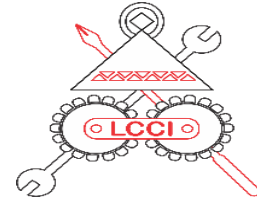
- (e) SOEs used to request/justify the replenishment of the special accounts
- (f) Disbursement Handbook;
- (g) Procurement rules and procedures for works, goods and services;
- (h) Technical studies made for project/program implementation;
- (i) Technical progress reports.

IX. PRACTITIONER EXPERIENCE AND QUALIFICATIONS

- 9.1 The audit Firm should be registered (have trader's license and Tax clearance/Certificate) and have a license from a national or regional professional Accountancy Body e.g LIA. The firm should have relevant experience in accounting and auditing of development project/programs, especially donor-funded operations.
- 9.2 The audit team will comprise, at least
 - (a) A team leader, (ACCA,CA,CPA, Expert Compatible) with minimum of 10 years post-qualification experience including auditing of multilateral donor-funded projects/programs and appreciation of project/program realization reports; be a member of national or regional or international Accountancy Body
 - (b) Professional accountant (ACCA,CA,CPA, Expert Compatible) with minimum of 10 years post-qualification experience including auditing of multilateral donor-funded projects/programs and appreciation of project/program realization reports; be a member of national or regional or international Accountancy Body; and
 - (c) Assistant(s) with 5 years field auditing experience including audit of multilateral donor-funded projects/programs.

X DURATION OF ASSIGNMENT

- 10.1 Assignment would require a total of 30 non-consecutive working days over a period of 2 months**



REQUEST FOR EXPRESSIONS OF INTEREST (REOI)
(AUDITING FIRMS)

**Fund for African Private Sector Assistance (FAPA) Lesotho Economic Diversification
Technical Assistance Project
Preparation of Project Audit Report**

Sector: Private Sector

Project ID No: P -LS-KFO-002

Financing Agreement Reference: 5700155002851

Executing Agency: Lesotho Chamber of Commerce and Industry (LCCI)

**EXPRESSION OF INTEREST (EOI) FOR AUDITING FIRM – TO AUDIT FUND FOR AFRICAN
PRIVATE SECTOR ASSISTANCE (FAPA) LESOTHO ECONOMIC DIVERSIFICATION
TECHNICAL ASSISTANCE (LEDTA) PROJECT EXECUTED BY LCCI.**

1. Lesotho Chamber of Commerce and industry has received financing from the African Development Bank towards the cost of the FAPA Lesotho Economic Diversification Technical Assistance Project (LEDTA), and it intends to apply part of the agreed amount for this grant to payments under the contract for provision of auditing services to audit the status of FAPA LEDTA Project financial Management.

The summary of services required under this assignment is to:

- (a) Carry out the audit of the current status of financial records whether (i) all funds including counterpart funds and other external funds (in case of co-financing) have been used in accordance with the conditions of the Grant agreement(s), with due attention to economy and efficiency and only for the purposes for which the funds were provided; (ii) Goods, works and services financed have been procured in accordance with the financing agreement; and have

been properly accounted for; (iii) Appropriate supporting documents, records and books of accounts relating to all project/program activities have been kept; (iv) Disbursements of funds have been made based on the Disbursement Handbook and in accordance with the conditions of the Grant or Credit agreements; (v) Special accounts have been maintained in accordance with the provisions of the Grant agreement and in accordance with the Bank's disbursement rules and procedures; (vi) Payments made using project/program funds relate to project/program activities as stated in the project/program progress reports; (vii) The financial statements have been prepared by project/program management in accordance with applicable reporting framework.

- (b) Give a true and fair audit of the financial position of the project at the relevant date.
- (c) Review documents relating to the use of the Special Account (SA)
- (d) Provide a complete set of project/program's financial statements including explanatory notes as appropriate.

3. Lesotho Chamber of Commerce and Industry (LCCI), now invites eligible Auditing Firm(s) to indicate their interest in providing these services. Interested firms must provide information indicating that they qualified to perform the services. (Please attached copy of trader's licence and tax clearance/Certificate certified at the source)

4. Interested firms may obtain further information at the address provided below during office hours from 08:00hrs to 17:00hrs, Mondays to Fridays. N.B detailed Terms of Reference are also available on LCCI Website at www.lcci.org.ls or can be requested from the following e-mail address: lcci@leo.co.ls Cc: malitaba.hlabana@lcci.org.ls

5. Expressions of interest must be delivered to the address provided below hand delivery or by email by **28th January 2022 at 14:30hrs** and clearly labelled **“Expression of Interest for provision of Auditing services to Audit FAPA LEDTA Project's Financial Records”**.

Attn : Ms. Malitaba Hlabana

Title: FAPA Project Coordinator

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