

Commercial Agriculture Alliance (CAA)

Terms of Reference (ToR) for Performance Audit (PA)¹

1. Provisions

The Performance Audit of CAA is considered as one of the key tool for measuring CAA performance. The **Grant Agreement** (Special Operations) between Nepal and Asian Development Bank (23 Feb 2007), for Commercial Agriculture Development Project under Clause 22 has the provisions for the Recipient to ensure the Performance Audit (PA) of the Commercial Agriculture Fund (CAF) undertaken on annual basis. Such audit shall:

- Include a review of all disbursement made by CAA to the intended recipient of Commercial Agriculture Development Fund (CADF),
- Evaluate to the extent to which proper and timely disbursement were made,
- Be conducted by an independent and external auditor, and
- Recommend the measures to improve the timely and effective disbursement of CAF.

The Standard Operating Procedure (SOP) 2007 of CAA under provision 92 mentions that district and head office level performance of CAA will be measured against the approved annual work plan and will take account of the following indicators:

- Number of cases actually received, processed and approved
- Number of cases approved for a district and high value crop coverage.
- Number of grants disbursed
- Value of grants disbursed.
- Value addition in agriculture products
- Performance monitoring report on fund disbursed & job accomplished

According to the provision number 97 of the SOP, an annual performance audit of CAA will be conducted to:

- Review all CAA disbursement s to the intended recipients of the Commercial Agriculture Fund (CAF),
- Evaluate the extent to which proper and timely disbursement were made and
- Recommend measures to improve the timely and effective measurement of the CAF.
- The CAA will be required to fully implement the recommended measures within one month of its receipt of the report.

Similarly, according to CAA Article of Association (AoA) Clause No 16 (e), the CAA Performance Audit has to be done by a freelancer auditor to:

- Evaluate the internal control and operation system,
- Ensure the check and balance mechanism
- Ensure the operating procedures
- Eliminate personal interest and possible feathery and corruption

¹ Approved by 38th CAA Board of Directors held on 20th September 2009.

2. Performance audit Parameters

The basic parameters for PA has to be developed as per the provisions made in the key project related documents as mentioned in Chapter 1 above. The PA will thus be conducted for two broad parameters as indicated below:

2.1.1 Performance of Membership and Grant Distribution

PA shall be carried out at all levels to ensure that the fund has reached to the target beneficiaries or organization. District and head office level performance of CAA will be measured against the approved work plan and will take account of the following indicators:

- number of cases actually received, processed and approved at different level (eg CAA Main Office, District Office, VDC , DDC), in annual basis.
- number of cases approved for a district and high value crop coverage,
- number of grants disbursed,
- value of grants disbursed,
- value addition in agriculture products,
- Performance monitoring report on fund disbursed and job accomplished.

Disbursement has close linkage with the general as well as financial management of CAA, District level agencies and or partners. Therefore, the disbursement pattern, volume, trend etc. including the management efficiency of these agencies shall be evaluated. Such analysis shall also include the capacity of staff, proper documentation, procedural compliance, communication and coordination capacity of the agencies etc.

PA shall evaluate the use of the funds in sub- projects to yield the intended outcomes (outlined in 33 and 34) of SOP of the project including:

- the support available by the investment to the farmers to tap the opportunities by strengthening their capacity,
- the success in linking the market chain and the processors and traders to improve their efficiency, and
- Increased Public –private partnership (PPP).

2.1.2 Managerial Performance (Human Resource Management and Financial Management)

PA shall be carried out with respect to following human and financial aspect of managements:

- The internal control and operation system (financial and human resources),
- Measures adopted to ensure the check and balance mechanism
- Measures adopted to ensure the operating procedures
- Level of personal interest and possible feathery and corruption and measures adopted to eliminate them.
- The amount of time taken by the agencies to disburse the approved fund after the approval of the projects and at payment level after the submission of technical and completion report by the agencies responsible to.
- Complaint registered and resolutions measures adopted
- Competency, efficiency and performance of the staff at different level
- Evaluate overall organizational behavior

2.2 Duration

The PA shall be done in annual basis. However, the first PA duration will cover the activities performed till July 2009.

2.3 Eligibility of Performance Auditor

The Audit Team should be a team of three professionals namely Management Expert, Agriculture/Marketing/Value Chain Expert and a Financial Expert (preferably Chartered Account)

- The auditors/firms and proposed team members must have at least 5 years of work experience
- Nepali citizen/ national firm are required.
- Performance audit experience in Agriculture, small scale industries, trading, marketing, processing and management aspects (human resource/financial management) sector.

2.4 Detail criteria for the selection of the Auditor

The committee set forth in point 3 will take following criteria to determine appropriate weightage to review and rank the competitive bidders:

- Working experience (5+ years),
- Credibility (also of the firm if applicable),
- Similar sector experience (both commercial agriculture as outlined in 2.3, and performance management),
- Working knowledge on Local self-governance, Public Private Partnership, Audit Act, Local Self- Governance Act, Rules, Financial Regulations,
- Financial audit etc performed,
- Working knowledge with ADB and or Development Partners shall be considered as an added advantage.
- Fee Structure

3. Preparation and Selection

An open invitation (Letter of Intent) for such audit shall be called through national dailies. The General Manager (GM) with the support of other CAA staff will be responsible to analyze the competitive bidders/applicants on the basis given in 2.4 and other parameters if deemed essentials and submit its recommendation to the CAA Board the eligible candidates on prioritized basis. The GM may discuss its recommendation with Audit Committee, if deemed essential, before recommendation to the Board.

A contract with the selected auditor shall be done by the GM.

4. Reports and Compliance

The auditor after award will have to submit following three reports to the GM within three months of the study duration:

- ◆ The Inception Report indicating the detail approach and methodology within 10 days of the contract award.
- ◆ Preliminary Performance Audit report within 2.5 months of the contract award and
- ◆ Final Performance Audit Report (both be in Nepali and English) within 3 months of the completion of the contract.

The GM will present the report in the meeting of Board of Directors (BoD) for discussion. BoD will submit the report with its comments to the MOAC, CADP and ADB. The BoD through GM shall be responsible to fully implement the recommendations of the Performance Audit Report. GM will suggest District Development Committees (DDC) and give directions to its management and the district branch offices to implement the recommendations within one month from the date of discussion in BoD as agenda.