
Terms of Reference (TOR)

Provision of consultancy services for payroll verification exercise**A. Brief Introduction**

UNDP ELECT II Project has been providing support to the Independent Election Commission (IEC) in terms of enhancing capacity of the IEC in an effort to conduct free and fair elections. In this respect, UNDP ELECTII Project has been providing the operational support to IEC in order to conduct election and running of the regular IEC operations including payment of the IEC Staff salaries.

Based on the agreement between ELECT II Project and IEC, it is a requirement to conduct an annual verification of payroll of IEC staff working under different contract modalities i.e. National Technical Assistance (NTA) scales and short term Temporary Staff, top up allowance for Tashkeel Staff who are being paid salary by Government of Afghanistan This verification is to be conducted by an external party. The selected company will be required to carry out a physical verification of staff working for IEC HQ as phase I.

As per UNDP policies and procedures, payments for the IEC operational and election expenses are made under the National Implementation Modality (NIM). According to the NIM Finances, three cash transfer modalities are being practiced to manage the finances for IEC as below:

1. NIM advances are paid to IEC which are being maintained in a separate bank account for UNDP funds only. Advance are paid on a quarterly basis or need basis depending on the activities criticality and also reconciled accordingly.
2. Request for Direct Payments (RDPs) that are used to pay vendors, contractors and other entities based on the purchase and procurement process undertaken by IEC. UNDP makes need based monitoring and checking of the supporting documents and processes the payments.
3. Payments for salaries and top up allowance to IEC through RDPs based on the IEC payroll into a separate salary domain account from where the salaries are paid to the IEC staff bank accounts by IEC through Azizi Bank.

During the last audit exercise, auditors raised the question of verification of the salaries and other payments being made by UNDP and recommended UNDP to undertake more rigorous verification on a periodic basis, at least once in a year. In order to comply with the auditor's recommendations and for improving the existing system, UNDP ELECT II Project and IEC has agreed that the services of an independent firm be engaged to monitor payment of remuneration under ELECT II Project to IEC personnel. It is essential for the firm to ensure that their approach, methodology, work-plan and resources meet all the requirements of the TOR.

B. Assignment Objectives

The overall objective of this firm's assignment is to provide a reasonable assurance to UNDP that ELECT II funding for the payment of salary and other top up allowance payments for the staff working for IEC is according to the correct amounts and are being received by the right beneficiaries. To this end, the firm,

contracted by UNDP is expected to review, examine, verify and validate expenditures, disbursements and payments made under ELECT II Project, using a statistically-based sampling methodology. In doing so, the firm will also carry out the physical verification of the personnel on the payroll and their receipt of payments. The firm is expected to submit report in accordance with an agreed monitoring and reporting plan which shall be incorporated as an annex to the awarded contract.

C. Consultations with Concerned Parties

Prior to the start of verification and monitoring exercise the firm will consult UNDP Country Office, ELECT II Project and IEC. Further, upon completion of the draft payroll verification report and management letter, the auditor will be required to meet with UNDP Country Office, ELECT II Project and IEC to debrief on findings based on the verification exercise and its recommendations for improvements as well as to seek their feedback thereon.

D. Detailed Scope of Services / Roles and Responsibilities

The scope of firm services relate to providing verification services and reporting on the veracity of disbursement of IEC HQ Kabul staff salary and top up allowance payments funded by UNDP under ELECT II project under following mentioned three type of staff payments for the period from January 2014 to October 2014.

- I. Salary payments for IEC staff working under National Technical Assistance (NTA) scales (215 staff approx.)
- II. Salary payments for IEC staff working under short term temporary contract (350 staff approx.)
- III. Top- Up allowance payments for IEC staff working as Tashkeel Staff. This allowance is paid equivalent to Tashkeel staff salary (176 Staff approx.)

The scope of services will include the verification of payroll reports of all above three categories. The firm should demonstrate in the report that they have covered the areas of IEC HQ staff salary and top up allowance payments.

Appendix-1 provides an indicative breakdown of the volume and nature of the transactions to be monitored.

The requirement of firm to provide services arises from the fact that UNDP ELECT II project does not pay the salary of any IEC staff directly. Instead, UNDP transfers the funds based on Request for Direct Payment to IEC salary domain bank account. It is then based on instructions issued by IEC to the Bank that salaries are further transferred to individual bank accounts.

The firm will examine, verify and validate in accordance with established criteria an appropriate sample of expenditures across each payment method above and their supporting documentation and resultant disbursements. This is based on verification that only physically actively serving and eligible personnel are recipients of remuneration payments.

The firm shall adhere to the International Standard on Assurance Engagement.

A summary of the scope of firm services is presented below:

- ✓ Verify salary and top up allowance payments of IEC staff based on established eligibility criteria and documents provided by the IEC and ELECT II Project
- ✓ Undertake sample physical verification of personnel and compare the IEC staff headcount with reference to the NTA, Short-Term Temporary (Non NTA) and Tashkil (IEC HR database) based on documents provided by IEC
- ✓ Prepare a report summarizing results of above monitoring activities, highlighting challenges and recurring issues identified for correction, areas of vulnerability and possible actions, and aged status of unresolved issues previously identified; and
- ✓ Bring critical issues to the immediate attention of UNDP ELECT II Project and the IEC Senior Management as identified, outside the regular reporting cycles.

The verification tasks to be performed by the firm fall in two categories namely (A) Payment verification, and (B) Headcount verification.

1. Payment verification

The primary tasks to be carried out by the firm relate to payment verification. The tasks will include but not be limited to the following:

- ✓ Validate payroll expenditures of IEC to assess the extent that funds are disbursed to eligible personnel congruent with the established and agreed methodology (ies).
- ✓ Examine IEC payroll to verify the consistency of these reports with data from the Afghanistan Financial Management Information System (AFMIS) as well as Request for Direct Payments as well as other credible and relevant sources.
- ✓ Provide assurance that staff contracts are issued following the standard HR procedures and were properly accounted for against established eligibility criteria. Identify and quantify any issues that impact the HR business processes and make recommendations for improvement.
- ✓ Examine / review the IEC salary bank account monthly statements. Compare monthly certified bank statement of salary domain account and associated reconciliation. Identify and report on any unexplained differences between the disbursements made for payroll purposes and the Request for Direct Payment (RDP). Provide feedback on error, suspected misuse / misplacement. Identify, quantify and report on misuse of funding.
- ✓ As part of the verification exercise for transactions identified through sampling, the verification should also include but not be limited to the following:

- ✓ Review the professional allowance/ top up allowance payments and assess whether only Tashkeel personnel who are on Government payroll receiving the allowance equivalent to Government salary as per Govt. payroll
- ✓ Identify and review the payments made to Daily Wage Labourers
- ✓ Cross check attendance records against the data that is entered in IEC system
- ✓ Cross check on a sample basis HR forms and contracts and also payments being made by Ministry of Finance against the payroll
- ✓ Cross check on a sample basis AFMIS data with information for Tashkeel staff

2. Headcount verification

The firm will also conduct headcount verification of IEC staff. The tasks will include but not be limited to the following:

- ✓ Using data provided from the various HR systems, identify the relevant headcount and payroll value for the period under review, and compare the aggregate headcount and payroll value against the total authorized headcount and payroll value for the period.
- ✓ Review on a sample basis all three type of payrolls including 1. NTA 2. Non-NTA (short term temporary staff) and 3. Tashkeel and undertake sample physical verification of IEC Staff before closing of each payroll period.
- ✓ During the physical verification of the IEC staff, cross check the attendance record and other identity and HR records.
- ✓ Undertake physical verification (headcount) of personnel and salary payment to such personnel at IEC HQ level
- ✓ The action plan prepared by the firm and agreed with ELECT should include the sampling methodology that the firm will adopt for physical verification of personnel.
- ✓ Below is the number of staff working for IEC-HQ Kabul.
 - 215 (approx.) staff under National Technical Assistance (NTA)
 - 350 (approx.) short term temporary (Non-NTA)
 - 176 (approx.) Tashkeel staff through regular government procedure
- ✓ Review and verify deductions made from salary payments against the originating documentation and statutory requirements and report on any discrepancies.

E. Reporting by the Firm

The firm will be working primarily with the IEC and will liaise closely with the UNDP ELECT II project. The firm will ensure HQ- Kabul level presence to monitor closely and provide analysis with adequate personnel.

- ✓ The firm will conduct meetings with UNDP ELECT II officials and IEC on a regular basis to address issues of concern to UNDP ELECT II Project and provide actionable recommendation for solutions, including resolution of issues identified by the firm.
- ✓ The firm will report to UNDP ELECT II CTA, who will assess the quality and performance of the firm, with informational links to the IEC and to the UNDP Country Office (CO).
- ✓ The firm shall submit the following reports to UNDP ELECT II Project:

Final Report:

Final Report should be issue-focused and provide both aggregated and detailed financial information in order to support adequate analysis of overall fund expenditure on salary and top up allowance payments. The reports should address, in detail, any issues with expenditures and their quantification, with an emphasis on reconciliation of IEC payroll eligible and ineligible payments, HR data and other relevant information. Report should provide detailed analysis of trends and recurring challenges, identify problems in relation to execution of salary related expenditure and HR data maintenance under UNDP ELECT II project and recommend appropriate actions, and describe positive feedback and lessons learned. The firm shall set the sampling rate, rotating monthly, and covering all modalities through which payments are made, with a weighting being given to the modalities which are risk prone and vulnerable and require enhanced monitoring.

Report should cover the period from (January 2014 to October 2014). All reports shall be submitted in soft copies in both English and Dari. The report in English shall be the original and in the event of any discrepancy on account of interpretation between the English and the translated Dari version, the English version will take precedence and will prevail. The firm submits the draft report to UNDP ELECT II Project Chief Technical Advisor (CTA) and designated UNDP ELECT II official.

F. Firm Reporting format.

Upon selection of the Firm, before signature of the contract, the firm will be required to attend a meeting between UNDP ELECT II Project and UNDP CO, to clarify the initial reporting format, required quality standards and payment terms. Key performance indicators will be clarified and defined.

G. Scope of Bid Price and Schedule of Payments.

The firm must specify the breakdown of cost components e.g. professional fee, travel costs, living allowances, security costs, transportation, etc. in sufficient detail in their financial proposal.

UNDP will provide the office space during the execution of contract. Neither UNDP ELECT II nor the Government of Afghanistan will be supplying any accommodation, stationery or transportation pursuant to this contract.

H. Qualification requirement of Firm

The firm should have corporate specialization and experience in Public Financial Management, ISAE assurance engagements, accounting and/or auditing, and/or related field. Previous experience working with international organizations or foreign direct assistance agencies is a significant advantage. The firm should have at least three (3) years of experience in undertaking work related to the requirements.

The team should ideally be composed of a combination of internationals and national staff in Kabul and must maintain presence in Kabul.

The firm shall propose an engagement team based on international standards, according to the scope, emphasis, timing and conduct of the engagement. The firm team should contain, at a minimum.

Position	General Qualification and Experience	Educational Background
Team Leader (1)	At least ten years of relevant work experience and expertise in Public Financial Management, financial controlling, accounting, and/or auditing.	Certified Public Accountant or Certified Public Auditor or equivalent.
Senior Accountant / Auditor & Deputy Team Leader (1)	At least five years of relevant work experience and expertise in Public Financial Management, financial controlling, accounting, and/or auditing.	Certified Public Accountant or Certified Public Auditor or equivalent.
Senior Statistician (1)	At least five years of relevant professional experience.	Bachelor's degree in statistics or related quantitative field.
Audit / Accounting Professionals (3 minimum)	Minimum of five years of work experience in the field of audit. National professionals employed by the contractor may have a minimum of 3 years of work experience.	Academic background in finance/accounting, auditing or business administration.
Quality Assurance Expert	Minimum of five years of work experience in the field of audit. National professionals employed by the contractor may have a minimum of 3 years of work experience	Academic background in finance/accounting, auditing or business administration

The Curriculum Vitae of the three key professionals (Team Leader, Senior Accountant / Auditor & Deputy Team Leader and Senior Statistician) shall be evaluated in details as part of technical evaluation.

The firm shall propose its team of professionals in accordance with its understanding of the TOR to deliver the scope of work and objectives of the assignment in full. The firm must submit details of its proposed team and justify the inclusion of each member accordingly.

The firm shall ensure that its personnel do not have any conflict of interest and are not directly related to UNDP or IEC officials. Conflicts of interest may arise when, by act or omission, the firm personnel's personal interests interfere with the performance of his or her official duties and responsibilities or with the integrity, independence and impartiality required by the firm personnel's role under the TOR. When an actual or possible conflict of interest may arise, the firm must disclose to UNDP ELECT II Project the conflict of the firm personnel. UNDP ELECT II Project shall review the declaration and assess if the declaration amounts to a potential conflict of interest. UNDP ELECT II Project may require the firm to replace such firm personnel if it is determined that the firm staff does have an actual or potential conflict of interest.

The team should have collective expertise in financial management, payroll systems, auditing, and HR systems.

The team should have collective experience in project monitoring, assurance services and assessment with reference to financial management, preferably with international exposure through Governmental institutions, NGOs, UN agencies and/or other organizations.

UNDP ELECT II project may, subject to its discretion, accept substitution of staff offered in the Proposal provided that the staff offered for substitution is of equal or better education and/or experience.

Knowledge of Afghanistan's financial system and financial management standards by the company and the team members would be an asset.

The firm should have prior work experience with clients of a similar nature.

The team must have proven management capacity, excellent IT skills and command of MS Office applications and financial software applications.

Fluency in English for all senior staff and key staff is a must. Fluency in Dari and/or Pashto would be an advantage for internationals, but is required for nationals.

The team should collectively demonstrate proven written and oral communication skills, reporting skills, auditing and project financial performance assessment experiences.

A limited amount of sub-contracting, in full disclosure, to augment the capacities of the team is permissible. Any such sub-contracting shall be approved in writing in advance.

I. Institutional arrangement

a. UNDP's responsibility

UNDP will be responsible for reviewing and addressing firm requests for information and support on a timely basis. Designated UNDP or UNDP ELECT II Project staff will be available to provide guidance to the firm during the course of the work and for in-depth review sessions. ELECT II Project CTA and/or his/her designated ELECT II official shall be responsible for monitoring of firm's performance and quality assurance. UNDP/ELECT II Project shall undertake weekly review of firm's performance which will include review of quality of deliverable. UNDP/ELECT II Project shall undertake a structured performance review of the firm which will also include feedback from IEC.

b. Firm's responsibility

The firm shall designate a focal point (preferably the Team Leader or the Deputy Team Leader) for communication related to submission of reports. The designated firm focal point shall be responsible for communication with UNDP/ELECT II Project regarding submission of draft report, receipt and incorporation of comments/suggestions from UNDP/ELECT II Project, and submission of final version of the reports. The designated firm focal point shall also be responsible to coordinate with UNDP/ELECT II Project regarding organization of review meetings for the reports.

The firm will need to provide in its proposal a description and cost estimate for all the facilities required to perform the services. It will be the sole responsibility of the firm to ensure a suitable level of security. The firm will also be entrusted with the duty of care of all its personnel in Afghanistan. The firm will also be subject to the provisions of Article 23 of the UNDP General Terms and Conditions with respect to security.

J. Annexes to the TORs

Appendix 1 - Indicative breakdown of the volume and nature of the transactions to be verified

Indicative breakdown of the volume and nature of the transactions to be verified

UNDP/ELECT II Project paid a total of AFN 273,357,384 (=USD 4,063,513) on account of IEC HQ salary and professional allowance (top up) as detailed below for 9 months from Jan-Sep 2014. The monthly average salary and allowance payment was AFN 30,373,043 (=USD 451,501).

Month (2014)	Type of Payment	Amount	
		AFN	USD
Jan	Salary	5,946,821	104,569
		18,895,551	333,079
	Professional Allowance (top-up)	1,773,668	31,265
Feb	Salary	22,020,895	377,945
	Professional Allowance	1,868,427	32,716
Mar	NTA Salary	13,521,520	237,762
	Non- NTA Salary	32,540,898	569,793
	Professional Allowance	3,896,322	68,001
Apr	NTA Salary	13,796,032	241,569
	Non- NTA Salary	11,467,560	200,798
	Professional Allowance	1,958,523	34,294
May	NTA Salary	13,521,520	237,762
	Non- NTA Salary	13,775,745	242,145
	Professional Allowance	1,885,455	32,791
Jun	NTA Salary	1,848,116	32,058
	Non- NTA Salary	27,138,605	261,877
	Professional Allowance	1,739,343	30,171
Jul	NTA Salary	13,719,160	237,973
	Non- NTA Salary	13,840,068	240,113
	Professional Allowance	1,782,816	30,925
Aug	NTA Salary	12,909,091	228,479
	Non- NTA Salary	12,743,016	225,540
	Professional Allowance	1,823,720	31,889
Sep	NTA Salary	13,127,593	229,544
	Non- NTA Salary	13,759,522	240,593
	Professional Allowance	2,057,397	35,975
	Total	273,357,384	4,063,513