



## **TERMS OF REFERENCE**

# **EXTERNAL AUDIT OF THE CAPACITY BUILDING COMPONENT OF THE COTE D'IVOIRE – LIBERIA – SIERRA LEONE – GUINEA (CLSG) POWER INTERCONNECTION PROJECT**

**YEARS 2018, 2019 & 2020**

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## **1 BACKGROUND**

- 1.1 Within the framework of the development of the Côte d'Ivoire – Liberia – Sierra Leone – Guinea (CLSG) Power Interconnection Project, the African Development Bank Group (“the Bank”) in support of the aforementioned Project beneficiary countries has provided a Grant Fund of a total sum of **2,205,000 Units of Account (UA)** for the implementation of a Capacity Building Programme.
- 1.2 The sectorial goal of the CLSG Project is to assist in ensuring secured power supply in the four (4) countries and strengthening of regional energy integration in the West African sub-region.
- 1.3 The objective of the Capacity Building Programme is to address all human and material obstacles and constraints likely to confront the CLSG Project entities and actors with a view to guaranteeing the speedy implementation and the sustainable operation of the interconnection line. This will entail strengthening of the operational capacities of the personnel involved in the implementation and operation of the interconnection line, notably the personnel within the power utilities and the public administrations of the beneficiary countries as well as the personnel of the WAPP Secretariat.

The primary objectives include:

- (i). improve the efficiency and profitability of the Project Management and Monitoring teams within the member utilities and energy ministries of the beneficiary countries, including the WAPP Secretariat;
  - (ii). enhance the technical knowledge and skills of the project stakeholders and the personnel of the member utilities and the WAPP Secretariat to guarantee the speedy commissioning and effective operation of the interconnection line;
  - (iii). plan, design, and implement appropriate training programs based on needs assessments in order to consolidate the gains of the project and ensure the sustainable operation of the power infrastructure;
  - (iv). build the capacities of stakeholders for continued facilitation of private sector investments and their participation in other regional power infrastructure projects;
  - (v). conduct a study to identify the critical areas for capacity building with a view to reducing technical and commercial losses of the national power networks and enhancing their overall performance;
  - (vi). establish standards and codes for the smooth operation of the power infrastructure and facilitation of power exchange between the CLSG project beneficiary countries.
- 1.4 The WAPP Secretariat has been designated as the ex officio implementing agency for this capacity building component, under the supervision of the Department of Administration and Finance.

## **2 OBJECTIVES OF THE AUDIT ASSIGNMENT**

- 2.1. The objective of the financial and accounting audit of the Capacity Building Program Component of the CLSG Project is to enable the Auditor to express an independent and professional opinion on the financial position of the programme for fiscal years 2018, 2019 & 2020 and to ensure that the resources placed at the disposal of the WAPP Secretariat for said purpose are actually used for the purposes for which they were granted.
- 2.2. Accounting books and records form the basis for preparation of the FS, which shall be prepared by the WAPP Secretariat in a way to account for the programme financial transactions. The WAPP Secretariat shall maintain an adequate internal control system and keep all supporting documentation of transactions.

## **3 RESPONSIBILITY FOR PREPARATION OF FINANCIAL STATEMENTS**

- 3.1 The WAPP Secretariat shall be responsible for the preparation of the financial statements (FS), including:
  - (a) The selection and application of accounting principles. The WAPP Secretariat shall prepare the FS in accordance with applicable accounting standards: i.e. International Public Service Accounting Standards (IPSAS), or International Financial Reporting Standards (IFRS), or national accounting standards that are substantially compliant with IPSAS or IFRS standards; and
  - (b) The implementation of accounting principles as well as the administrative and financial procedures properly documented in a handbook or manuals.
- 3.2 The Auditor's responsibility shall be to express an opinion on the financial statements in accordance with International Standards on Auditing (ISA) as defined by the "International Federation of Accountants" (IFAC) or International Standards of Supreme Audit Institutions (ISSAIs) as defined by the International Organization of Supreme Audit Institutions (INTOSAI). National audit standards that are substantially consistent with ISA or ISSAI standards are also acceptable. In accordance with these auditing standards, the Auditor shall request for a written representation acknowledging the responsibility of directors for the preparation of financial statements and maintenance of an adequate control system, including acceptable documentation of financial transactions.

## **4 SCOPE OF THE AUDIT ASSIGNMENT**

- 4.1 The audit shall be conducted in accordance with international standards as indicated in paragraph 3.2 above, which shall constitute the basis for all the checks and controls that the Auditor shall deem necessary in accordance with prevailing circumstances. Whilst conducting the audit, particular care should be taken to ensure that:
  - (a) All the resources of the Bank were used in accordance with the provisions of the loan/grant agreement, with due regard to economy and efficiency, and solely for the purposes for which they were provided.
  - (b) Counterpart funds and any other funds from external sources (in the event of co-financing) were obtained and used in accordance with the loan/grant agreement, with due regard to economy and efficiency, and solely for the purposes for which they were provided;

- (c) Acquisition of goods, works and services were subject to contractual awards pursuant to the loan/grant agreement and in accordance with the Bank's procurement rules and procedures, and that they were duly recorded in the account's books;
  - (d) All necessary vouchers, supporting documents and accounts records for the programme activities were duly kept. In this respect, the contents of the account records must be reflected in the financial statements submitted to the Bank;
  - (e) Designated accounts were managed in accordance with the provisions of the loan/grant agreement and the Bank's disbursement rules and procedures (see paragraphs 6 and 7 below for further details);
  - (f) Financial statements were prepared by the Programme management team in consistency with the accounting principles set out above (see paragraph 3 above) and that they present a true-and-fair view of the financial position of the Programme at the end of the financial year, including the resources received and expenditures made for the year then ended.
  - (g) The adequacy and efficiency of the accounting system and the internal control system as a whole were evaluated in order to ensure proper execution of expenditures and financial transactions as well as to ensure the safeguard of the programme assets and their utilization for the purposes of the programme;
  - (h) The fixed assets of the programme exist and are properly assessed and that the ownership of the programme or beneficiaries of these assets have been duly established in accordance with the loan/grant agreement; and
  - (i) Ineligible expenditure should be separately annotated in the audit report; said expenditure should be mentioned in the letter to management, and if deemed significant, they should be included in the opinion of the Auditor.
- 4.2 In accordance with international audit standards, the Auditor shall pay attention to the following item points:
- (a) ***Fraud and Corruption:*** In accordance with the ISA 240 standard (**Responsibility of the Auditor in terms of consideration of the risk of fraud and error during an audit of accounts**), the Auditor should identify and assess any risks of fraud, obtain or provide sufficient audit evidence of such risk analyses and appropriately address the detected or suspected fraud;
  - (b) ***Laws and Regulations:*** In developing the audit approach and performing audit procedures, the Auditor should assess compliance by the WAPP Secretariat with the laws and regulations, to detect cases of non-compliances that could give rise to significant anomalies in the financial statements as required by the **ISA 250 standard (Consideration of the risk of anomalies in the accounts resulting from non-compliance with laws and regulations)**;
  - (c) ***Governance:*** Communication with official of the WAPP Secretariat on significant governance-related matters arising from the audit, in accordance with **ISA 260 standard (Communication with those charged with Governance)**; and

- (d) **Risks:** In a bid to reduce audit risks to a relatively low level, the Auditor will implement the appropriate audit procedures in response to the risks of abnormalities identified during its assessment, in accordance with **ISA 330 standard (Audit procedures implemented by the Auditor in response to assessed risks)**.

## **5 PROJECT FINANCIEL STATEMENTS**

5.1 The Auditor shall verify that the programme's financial statements have been prepared in accordance with accepted accounting principles (see paragraph 3 above) and gives a fair presentation of the financial position of the programme for the year then ended, including resources and expenditure as at the year ended.

5.2 The Financial Statements prepared by the programme managers should include:

- i) A Statement/Matrix on Usage and Resources duly indicating: (i) under Resources: funds received from the Bank, counterpart funding and funds received from other donors, if any; (ii) under Usage: expenditures and payments made during the period under review and cumulated to the financial year-end date showing the capitalized costs (operating expenditures transferred), categories of expenditure, claims and any available stocks, including cash balances for the period under review and cumulated to the financial year-end date;
- ii) Reconciliation Statements of the Designated Account (in accordance with the model provided by the Bank);
- iii) Certified Statements of Expenditure submitted to the Bank during the FY to justify use of resources on the designated account;
- iv) Annotations to the financial statements describing the accounting principles used and presenting a detailed and explanatory analysis of the major accounts.

5.3 The Auditor shall present the following items in an annex to the financial statements:

- a) A Statement on reconciliation of funds “received from the Bank and funds disbursed by Bank.as indicated in the financial statements. Such reconciliation should indicate the methods of disbursement used: designated account, direct payments, reimbursement guarantee and reimbursement methods, including those recommended in the assessment report and the disbursement letter; and
- b) A detailed list of fixed assets acquired in the FY with the programme funds, indicating the dates and values of acquisition and their state of condition.

## **6 CERTIFIED STATEMENTS OF EXPENDITURE**

In addition to the audit of financial statements, the Auditor shall:

- a) Verify all certified statements of expenditure (CSE) used as a basis for requests for operating capital from the Bank;

- b) Determine the eligibility of expenditures listed in the CSEs in accordance with the provisions of the loan/grant agreement and the assessment report. In cases where ineligible expenditures are identified in requests for replenishment of funds on the designated account, they should be separately annotated by the Auditor; and
- c) Annex to the financial statements, the record of fund withdrawal requests submitted to the Bank indicating the reference numbers and amounts for each request.

## **7 DESIGNATED ACCOUNTS**

7.1 As part of the audit of the financial statements, the Auditor should assess all transactions on the Programme's designated accounts. He shall assess based on the designated accounts reconciliation statements:

- (a) The eligibility and accuracy of financial transactions during the period under review and account balances at the end of the financial year under review;
- (b) The transactions use of the designated account in accordance with the loan/grant agreement and the disbursement letter; and
- (c) The adequacy of the internal control system vis-à-vis the disbursement mechanism.

7.2 The transactions on the designated account should normally comprise:

- (a) Initial advance and replenishment of funds from the Bank;
- (b) Withdrawals related to programme expenditures;
- (c) Any interest generated on the account accrued to the programme; and
- (d) The account balance at the FY year-end.

## **8 AUDIT REPORT**

8.1 The audit report shall comprise: (a) the Auditor's opinion on the financial statements and (b) all financial statements and related statements such as described in paragraph 5.2 above.

8.2 All ineligible expenditures identified shall be presented in a table attached as annex to the audit report.

## **9 LETTER TO MANAGEMENT**

9.1 In addition to the audit report, the Auditor shall prepare a "Letter to Management" that should include:

- (a) Comments and observations on the accounting records, systems and controls examined during the audit;
- (b) Anomalies and specific weaknesses in the internal control system and recommendations for improvement of this system;

- (c) The degree of compliance of each financial statement with financial covenants contained in the loan/grant agreement and comments where appropriate on the external and internal causes of observed anomalies;
- (d) Comments on status of implementation of recommendations on previous audit reports;
- (e) Problems identified during the audit assignment that may have a significant impact on the implementation and continuity of the programme;
- (f) Observations to the Borrower on any other anomaly that the Auditor deems relevant.

9.2 In principle, the Letter to Management should include the reactions/comments of the WAPP Secretariat and other implementing entities on weaknesses identified by the Auditor.

## **10 GENERAL INFORMATION**

10.1 The audit report including the financial statements as well as the Letter to Management and comments from the WAPP Secretariat must be transmitted to the Bank within six (6) months following the close of the fiscal year under review.

10.2 The Auditor should have access to all legal documents, correspondence, and any other related information considered pertinent to the programme. The Auditor shall obtain from the Bank a confirmation of disbursed and outstanding amounts. The "Task Manager" shall assist the Auditor in collecting such information.

10.3 It is recommended that the Auditor should take cognizance of the following Bank documents:

- (a) General conditions applicable to loan agreements and guarantee agreements;
- (b) Loan /grant agreements;
- (c) Project Evaluation Report;
- (d) Guidelines on financial management and financial analysis of projects;
- (e) Disbursement Handbook;
- (f) Mission aide-memoires and official correspondence of the Bank; and
- (g) Rules and procedures on procurement of works, goods and services

## **11 EXPERIENCE AND QUALIFICATIONS OF THE AUDITOR**

11.1 The Audit Firm must be a duly incorporated Audit Firm regularly registered in the Roll of the Order of Chartered Accountants recognized nationally or regionally; with proven experience in accounting and financial auditing of donor-funded development projects.

11.2 The key personnel of the audit mission shall at least include:

- (a) An **Audit Director** with a minimum of 10 years' experience in financial auditing and a sound knowledge of donor-funded projects. He/she must also be registered in the roll of a recognized order of chartered accountants;
- (b) A **Team leader** with a minimum level of Master's Degree (corresponding to BAC + 5 in the francophone countries) in auditing or accounting, and at least 5 years track record in financial audit; and
- (c) An **Assistant Auditor** with relevant professional experience and qualifications.