

SOLAR DEVELOPMENT IN SUB-SAHARAN AFRICA PROJECT

**Project ID P162580
IDA Grant N°D332**

**TERMS OF REFERENCE FOR THE EXTERNAL AUDIT OF THE WEST
AFRICAN POWER POOL SOLAR DEVELOPMENT IN SUB-SAHARAN
AFRICA PROJECT (WAPP/SOLAR PROJECT) P162580 IDA GRANT N°
D332 FOR FISCAL YEARS 2023, & CLOSING 2024**

1. **BACKGROUND**

The West African Power Pool (WAPP) is a specialized Institution established in 2006 pursuant to a decision adopted by the Authority of Heads of State and Government of the Economic Community of West African States (ECOWAS), as an institutional mechanism and framework geared at integrating the operations of the national power systems of the ECOWAS Member States with a view to addressing the power supply needs of the citizens of the ECOWAS Community by ensuring a stable, reliable and affordable supply of electric power for economic development.

As part of its mandate to ensure the establishment of a Regional Electricity Market in West Africa in order to provide the citizens of the Community with increased access to stable and reliable electricity supply at competitive costs, WAPP embarked on assisting ECOWAS Member States in developing and servicing the key infrastructure projects identified in the ECOWAS Master Plan for the Generation and Transmission of Electrical Energy, revised in 2012: notably the 330kV Coastal Transmission Backbone Project, the 330 kV North Core North Interconnection Project, the 225 kV Côte d'Ivoire – Mali Interconnection Project and the 225 kV Côte d'Ivoire – Liberia – Sierra Leone – Guinea Interconnection Project Line.

This increase in regional interconnections gave rise to a daunting challenge of ensuring the synchronized operations of the interconnected power systems of the ECOWAS Member States.

Yet, in support of efforts deployed by the WAPP Secretariat coupled with the funding provided under Phases 1 and 2 of the APL1 projects, the World Bank, through the International Development Association (IDA) awarded WAPP a grant of US \$ 31.5 million under Component 2 of "WAPP Integration and Technical Assistance Project" for the financing of WAPP Côte d'Ivoire – Liberia – Sierra Leone – Guinea (CLSG) Interconnection Project.

The objective of the project is to provide technical and financial assistance to WAPP towards ensuring the synchronous integration and operation of its interconnected power systems under the Regional Electricity Market and equally to provide support for the capacity building of WAPP and the development of activities for the benefit of its Member States and/or Utilities.

The Project Financing Agreement (P162580- IDA GRANT No. D332) was signed on 19 September 2018 between IDA/World Bank and the WAPP Secretariat. The project mainly consists of two (2) components and four (4) sub-components, namely:

- **Component 1: *Regional Solar Integration, Dispatch, and Capacity Building.***
- **Component 2.B: *Regional Solar Parks Preparation.***

In the course of implementation of the above-mentioned Project, it became necessary to extend the activities planned under the initial financing agreement in view of the development of strategic power generation projects intended to strengthen the regional technical capacity for preparation of large-scale solar parks and integration of solar electricity into the grids.

This was the critical situation justifying the WAPP Secretariat's request for funding which was signed on 19 September 2018 for World Bank/IDA grant of \$21 million.

2. **OBJECTIVES OF THE FINANCIAL AND ACCOUNTING AUDIT OF THE PROJECT**

The objective of the accounting and financial audit is to enable the auditor to express his professional opinion on the financial position of the Project at the end of each fiscal year, and ensure that the resources made available to the Project are used for the purposes of the grant award toward achieving the project development objective.

The financial statements established by the WAPP Secretariat are prepared in a way to account for the project financial transactions.

The WAPP Secretariat shall maintain an adequate internal control system and an acceptable documentation of transactions.

3. **PREPARATION OF ANNUAL FINANCIAL STATEMENTS**

The WAPP Secretariat shall be responsible for the preparation of financial statements including the notes and appendices in accordance with the International Public Sector Accounting Standards (IPSAS/ NCISP). The IPSAS accounting standards to be applied shall be adapted to the particularities of development projects that are not intended to generate operating profit. Specific accounting standards shall be adopted accordingly.

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). In accordance with these auditing standards, the auditor shall request from the WAPP Secretariat, a letter of representation acknowledging the responsibility of the management for the preparation of financial statements and keeping of an adequate control system.

4. **SCOPE OF AUDIT ASSIGNMENT**

The audit assignment shall cover fiscal years 2023 and closing 2024. As indicated above, the audit shall be conducted in accordance with International Standards on Auditing (ISA) as defined by the IFAC, which shall constitute the basis for all the checks and controls that the auditor shall in such circumstances deem necessary. The auditor shall ensure that:

- a. all the funds of the Bank (IDA Grants D332) were used in accordance with the provisions of applicable financing agreements, with due regard to economy and efficiency, and solely for the purposes for which they were provided;
- b. funded goods and services were subject to contractual awards pursuant to applicable financing agreements and in accordance with the World Bank's procurement policies and procedures, and that they were duly recorded in the accounts books;
- c. all necessary books, accounts and records for the various project-related operations were duly kept (including expenses backed by statements of expenditure or financial interim reports);

- d. designated and operating accounts are managed in accordance with the provisions of financing agreements;
- e. Project accounts are prepared in consistency with IPSAS standards adapted to the specificities of development projects and that they express a fair presentation of the financial position of the Project at the end of each financial year, including the funds received and disbursements made for the year then ended;
- f. the overall Project financial performance is satisfactory;
- g. the fixed assets of the Project are real and properly assessed and that the ownership of the Project or beneficiaries of these assets is duly established in accordance with the financing agreement;
- h. ineligible expenditures claims through the requests of disbursement and identified during the audit assignment are duly refunded in the Designated Account. Such expenditures should be reported in a separate note in the audit report.

In accordance with the IFAC standards, the auditor shall pay particular attention to the following:

- i. ***Fraud and Corruption:*** In accordance with the ISA 240 standard (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 to analyse such risk and appropriately address the detected or suspected fraud.
- ii. ***Laws and Regulations:*** In developing the audit approach and performing audit procedures, the auditor should assess compliance of the WAPP Secretariat with the laws and regulations that could significantly affect 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).
- iii. ***Governance:*** Communication with those in charge with Project Governance on significant matters arising from the audit, in accordance with ISA 260 standard (Communication with those charged with Governance).
- iv. ***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).
- v. the conduct of the assignment and expression of single opinion on the Project accounts are done in accordance with ISA 800 standard (**AUDIT OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH SPECIFIC ACCOUNTING STANDARDS**).

5. PROJECT FINANCIAL STATEMENTS

The auditor shall verify that the Project's financial statements have been prepared in accordance with accepted accounting principles (see paragraph 3 above) and give a fair presentation of the resources and expenditures as at the year ended.

The Project's financial statements should include:

- a. A statement of resources (funds received from IDA) and uses (expenditures incurred in the financial year under review);

- b. A statement of transactions on Designated Accounts, including operating and other related accounts;
- c. A statement of the financial position indicating Project accumulated funds, bank balances, other assets and liabilities of the project and commitments, if any;
- d. The notes to the financial statements describing the accounting principles used and presenting a detailed and explanatory analysis of the major accounts;
- e. The list of fixed assets acquired or purchased with the Project funds.

The auditor shall notably present in an annex to the financial statements, a reconciliation of funds received by the Project from World Bank on the one hand, and the funds disbursed by World Bank on the other hand.

6. CERTIFIED STATEMENTS OF EXPENDITURES (CSEs)

In addition to the audit of financial statements, the auditor shall verify the certified statements of expenditures or financial monitoring reports used as a basis for request for reimbursement of funds from the World Bank. The auditor shall conduct tests and implement necessary audit and verification procedures as the circumstances require. The auditor shall include in the financial statements, an annex bearing the list of certified statements of expenditures used as a basis for request for reimbursement of funds with specific references to the amount and sequential numbers.

The total number of fund reimbursement claims, in consistency with procedures established for certified statements of expenditures or financial monitoring reports, should constitute a factor for the overall reconciliation of disbursements described in paragraph 5 above.

7. DESIGNATED ACCOUNTS – OPERATING ACCOUNTS

As part of the audit of the Project financial statements, the auditor shall assess the transactions of the various Project accounts which should normally include:

- Advances received from the World Bank;
- Reconstitution of the Designated Account backed by the request of disbursement of funds;
- Any interest generated on the account by the Project funds;
- Withdrawals related to project expenditures.

The auditor shall pay special attention to compliance of the year-ended Designated Account balances with procedures of the World Bank. The auditor shall verify eligibility of financial transactions during the period under review and fund balances at the close of the fiscal year in accordance with the provisions of the financing agreement and the disbursement letters. The auditor shall further verify adequacy of the internal control system vis-à-vis the disbursement mechanism. It should be noted that the Designated Accounts management conditions are described in the Disbursement Letters.

The auditor shall verify the eligibility and accuracy of:

- Financial transactions during the period under review;
- Account balances at the end of the financial year under review;
- The use of the Designated Account in accordance with the financing agreements;
- The use of the operating accounts in accordance with the financing agreements;
- The adequacy of the internal control system vis-à-vis the disbursement mechanism.

8. AUDIT REPORT

The auditor shall express an audit opinion on the Project's financial statements. The audit of the Project's financial statements shall include a specific paragraph highlighting significant weaknesses in the internal control and non-compliance with the provisions of the Financing Agreements.

9. MANAGEMENT LETTER

In addition to the audit report on the financial statements, the auditor shall prepare a management letter that should include:

- a. comments and observations on the accounting records, systems and controls examined during the audit;
- b. deficiencies in the internal control system and recommendations for improvement of this system;
- c. the degree of compliance with each financial obligation contained in the Financing Agreements and comments where appropriate on the external and internal problems affecting such compliance;
- d. communication problems identified during the audit that may have a significant impact on the Project implementation;
- e. comments on resolving anomalies and reserves;
- f. comments on non-implemented recommendations of previous audit reports;
- g. comments on any other anomaly that the auditor deems relevant, including ineligible expenditures.

Ideally, the internal control letter should include the responses of implementing entities on deficiencies identified by the auditor.

10. AVAILABLE INFORMATION

The auditor shall have access to any legal documentation, correspondences and other information relating to the Project and that he shall deem necessary.

The auditor shall obtain confirmations of amounts disbursed and Designated Account balances from the Bank. The available information should include copies of: The Project Appraisal Document, the Financing Agreement, the financial management assessment report and supervision reports or aide-memoires.

It is highly desirable that the auditor takes into consideration the guidelines for the preparation of financial reports (30 June 2003) and the review of accounts of projects financed by IDA, which recaps the requirements for preparation of financial and audit reports. The auditor shall also consult the World Bank's Guidelines on Procurement. The auditor should also be conversant with the World Bank's Disbursements Manual (May 2006). These documents shall be provided to the auditor by the Project Manager and are accessible on the website the World Bank.

11. SPECIFICATIONS

The audit shall be conducted in accordance with International Standards on Auditing (ISA) as defined by the International Accounting and Auditing Standards Board of the International Federation of Accountants, which shall constitute the basis for all the checks

and controls that the auditor shall deem necessary. The auditor shall examine and issue an opinion on the following:

- a. Funds obtained from financing agreements and any co-financing funds (counterpart and borrower's funds) are used in accordance with the provisions of the financing agreements, the manuals of procedures and any other document approved by the World Bank. Particular attention should be accorded to sound management of funds, particularly in terms of sound choice and quality/price ratio for justified expenses, with due regard to the purpose for these expenses in relation to the project's mandates and the financing objectives;
- b. Actual procurement or acquisition of goods and services for which expenditures were incurred by the project have been really acquired or procured in accordance with the financing agreements;
- c. Availability of supporting documents and reports, including Certified Statements of Expenditures (CSEs) and Statement of Designated Accounts Transactions as prescribed in the Procedures Manual and Financing Agreements;
- d. Availability of supporting documentation and related reports on borrower's financing expenditures as prescribed in the Procedures Manuals and Financing Agreements.
- e. Establishment of a control and funds management mechanism by the various project beneficiaries;
- f. The mission shall carry out any verifications deemed necessary at the project level and with any other beneficiary partners.

12. OTHER AUDIT RESPONSIBILITIES

All Certified Statements of Expenditures (CSEs) submitted for replenishment of the designated account and operating accounts shall be audited. All supporting documents to this effect should be forwarded to the auditor as prescribed in the Procedures Manual.

- a. The audit of CSEs is subject to the same conditions as the annual audit. They will be subject to any checks that the auditor deems appropriate. The purpose of the CSE audit is to enable the auditor to determine whether:
 - the CSEs have been prepared according to the specifications of the Financing Agreements,
 - expenditures made in this respect have been made in accordance with the specifications and objectives of the project financing agreements, with due regard to sound management of the funds, particularly in terms of sound choice and quality/price ratio for justified expenses, with due regard to the purpose for these expenses,
 - all necessary documents, explanations and justifications have been obtained,
 - the CSEs are effectively backed by relevant documentation and can therefore be considered as reliable and comprehensive documents that can support claims for withdrawals.
- b. Verification of the various procurement documents to ensure compliance with procedures contained in the financing agreements and the World Bank guidelines as well as compliance with deadlines provided therein.
- c. Verification of the level of compliance with the WAPP Secretariat's official memos with respect to the smooth running of project activities;

The audits performed on the CSEs must be extended to counterpart funds (if provided) and borrower's funds so as to ensure that disbursements of said funds were made exclusively for the purpose of the Project and in accordance with the requirements of the Financing Agreements.

13. PRESENTATION OF AUDIT REPORTS

- a. Final audit reports must be produced no later than five (5) months following the close of the relevant fiscal year.
- b. The auditor shall, as prescribed in the specifications of the Procedures Manual, append an evaluation report to the annual report which should include the following item points:
 - i. An assessment and comments on the accounting systems and procedures used including the internal control procedures, as examined during the audit assignment. The auditor shall propose any necessary improvements to the Procedures Manual to enhance the quality of the project's procurement and financial management,
 - ii. Indicate any factor or constraint that could compromise or influence subsequent audit assignments,
 - iii. Review deadlines for disbursement and receipt of all funds involved in the financing of the project, whilst highlighting the strengths and weaknesses and proposing the corrective measures.
- c. At the end of each audit assignment, the Consultant shall produce two (2) separate reports as follows:
 - Opinion on the financial statements;
 - Report on internal control and an opinion note on the internal control system. The opinion on the internal control should include, in addition to the other headings, a report on the internal control system portraying the status of implementation of previous recommendations and comments on weaknesses identified by the project;

14. DURATION OF AUDIT ASSIGNMENT & REPORT

The audit assignment is scheduled for an overall duration of 45 days as follows:

- FY 2023: 30 days' audit.
- FY 2024: 15 days' audit.

The assignment will be executed with a Lump-Sum contract.

15. COMPOSITION & EXPERIENCE OF AUDIT TEAM

The ideal Consultant must be an independent Audit and Accounting Firm, with general experience of more than ten years, regularly engaged in the audit of financial statements and accounts and registered in the Roll of the Order of Chartered Accountants internationally recognized by IFAC or FIDEF. Proven experience in auditing of regional projects, notably in the energy sector, would be regarded as an asset.

The key personnel to be proposed by the audit firm shall at least include the following expertise:

❖ **An audit director**, a Certified Accountant registered in the Roll of the Order of Chartered Accountants, acting as Head of Mission, with a minimum of ten (10) years of audit experience and having performed at least five (5) audit assignments during the last five (5) years, four (4) of which as Head of Mission. Proven experience in auditing of any World Bank financed project would be considered as an asset.

❖ **A Team Leader**, with a minimum level of Master's Degree (corresponding to BAC + 5 in the francophone countries) in auditing and accounting, and at least five (5) years track record in auditing and having participated in at least three (3) audit assignments of financial statements during the last five (5) years. Proven experience in auditing of any World Bank financed project would be considered as an asset.

❖ **An Assistant Auditor** with relevant professional experience and qualifications, having at least three (3) years of professional experience in the auditing and participated in at least one (1) financial audit assignment during the last five (5) years. Proven experience in auditing of any World Bank financed project would be considered as an asset.

16. OTHER QUALITIES OF THE CONSULTANT

Any information to which the Consultant shall be provided access during this audit assignment, including the results contained in its various reports, must be kept confidential.

Access to audit reports shall be solely obtained from or on the authorization of the Client, i.e. the WAPP Secretariat.

17. MODALITIES FOR PAYMENT OF AUDIT SERVICES

Payments will be made on the basis of the deliverables contained in chapter 14 above and in accordance with the schedule and percentages stipulated in the draft contract.

18. SELECTION PROCESS

A Consultant will be selected in accordance with the “*Least-Cost Selection*” method set out in the Consultant Guidelines “*Procurement Regulations for IPF Borrowers*”, Edition September 2023.
