BERYL EMERGENCY RESILIENT RECOVERY PROJECT

Terms of Reference for Financial Audit

I. Basic Considerations for Audits of Projects Financed by the World Bank

The Terms of Reference provide the basic information needed by the auditor to obtain an understanding of the engagement, in order to prepare a proposal and to plan and perform the audit of the project. However, this information must be complemented with that provided in the most relevant Bank publications regarding the project and audit: Project Appraisal Document, Project Financing Agreement, World Bank Disbursement Guidelines for Projects (2017), World Bank Procurement Regulations, the Project Disbursement and Financial Information Letter and the Project Operating Manual. The auditors must also be familiar with the Project's Interim Financial Reports (IFRs). The project financial period covers the period from January 1 to December 31.

II. Relationships and Responsibilities

The client for the audit is the Project Implementing Entity (IE) and the Bank is an interested party. In this case, the IE is Public Sector Investment Programme Management Unit (PSIPMU_ at the Ministry of Finance, Economic Planning, and Information Technology (MoFEPIT). A Bank representative may participate in the audit entrance and exit meetings; review the work performed by the auditors to ensure it complies with the terms of reference and the applicable auditing standards, and to provide comments on the draft audit report.

The IE is responsible for preparing all the financial statements and reports required, and for ensuring that all the necessary records are available for the audit, that all the accounting entries and adjustments are made and that all the necessary actions have been taken to allow the auditors to issue the final report. Each audit report shall cover the period of one fiscal year and shall be transmitted to the World Bank no later than six months after the end of the fiscal year.

The auditors should maintain on file adequate working papers for a period of three years after the end of the audit. During this period, the auditors should promptly provide the working papers should they be requested by the World Bank.

III. Project Background

During loan negotiations, the World Bank and the Borrower agreed that there would be annual independent audit of the Beryl Emergency Resilient Recovery Project (BERRy). Annex A contains a summary of information relating to the project.

IV. Audit Objectives and applicable Standards

The overall objective of this engagement is to perform an audit of the project's **special purpose financial statements**, and express a professional audit opinion as to whether the financial statements as a whole:

- are free from material misstatement,
- are prepared, in all material respects, in accordance with the applicable financial reporting standards, and
- project funds have been used only for the Project purposes.

The auditor is also expected to report on adequacy and adherence of internal controls.

This special purpose audit must be performed in accordance with the International Standards of Auditing (ISA) issued by the IFAC[1], and therefore must include the tests of the accounting records that the auditors consider necessary under the circumstances.

The specific objectives of the audit are to:

- Issue an opinion as to whether the Project's special purpose financial statements, including the Designated Account reconciliations, present fairly, in all material respects, the financial position of the Project, the funds received and the disbursements made during the period audited, as well as the cumulative investments at the end of the period, in accordance with applicable financial reporting standards and the requirements in the project financing agreement.

- Issue an opinion on whether the supplementary financial information for the Project is fairly presented, in all material respects.

- Issue a report with respect to the adequacy of the internal controls of the project implementing entity (ies). This evaluation should also include the internal controls related to the contribution of counterpart funds for the Project. For this purpose, the report/management letter will be based on an assessment of internal controls, which will take place at mid-year for each auditable year of the Project's execution, and at the end of the year. This will permit early detection on any internal control issues to provide corrective feedback to the implementing entity (ies) prior to the carrying out of the end of year audit.

- Conduct audit of 100 percent of the expenditures that were claimed under retroactive financing and provide separate audit opinion about the eligibility of those expenditures.

V. Definition of Special Purpose Financial Statements

The special purpose financial statements are designed to meet the specific needs of a specific user or group of users. Here, the special purpose financial statements consist of:

(i) a complete set of project financial statements prepared using acceptable reporting standards

A complete set of special purpose financial statements consist of statements that show the sources and uses of project funds and the financial position of the project at the end of the reporting period, where the disbursements from the World Bank's funds disclosed in the financial statements reconcile with the World Banks' record. The complete set financial statements include:

- A Statement of the Designated Account Reconciliation
- A Statement of Sources and Uses of Funds
- A Statement of Cumulative Investments (funds)

[1] Specifically by International Auditing and Assurance Standards Board.

- Notes to the Financial Statements and supplementary information

The project financial statements shall be prepared using International Public Sector Accounting Standards.

and (ii) a set of laws, regulations, rules and contractual clauses.

The laws, regulations, rules and contractual clauses that have direct and material effects on the financial statements are:

- Rules for eligibility of expenditure under World Bank financed projects;
- Applicable laws, regulations;
- Financial clauses of the Project's financing agreement between the government of Saint Vincent and the Grenadines and the World Bank;
- Contractual clauses of other co-financing organizations providing funding to the project.

VI. Scope of the Audit

The audit shall be performed in accordance with International Standards of Auditing. Therefore, the audit must include adequate planning, the evaluation and testing of the internal control structure and systems and obtaining sufficient objective evidence to allow the auditors to reach reasonable conclusions on which to base their opinions.

In conducting their work, the auditors should pay special attention to the following requirements:

- All Project funds - external or counterpart funds - should be used in accordance with the conditions of the project financing agreements, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;

- Goods, works and services financed should be procured in accordance with the requirements in the project financing agreement.

- All necessary supporting documents, records, and accounts have been maintained in respect of all project activities, including expenditures reported using Interim Unaudited Financial Reports (IFR) methods of reporting. The auditor is expected to verify that respective reports issued during the period were in agreement with the underlying books of accounts.
- Designated Accounts have been maintained in accordance with the provisions of the project financing agreements and funds disbursed out of the Accounts were used only for the purpose intended in the financing agreement.

- National laws and regulations have been complied with, and that the financial and accounting procedures approved for the project (e.g. operational manual, financial procedures manual, etc.) were followed and applied.
- Financial performance of the project is satisfactory.

- Assets procured using project funds exist, are recorded in assets register and there is verifiable ownership by the implementing agency or beneficiaries in line with the financing agreement.

- Ineligible expenditures included in withdrawal applications are identified and reimbursed to the Designated Accounts. These should be separately noted in the audit report.

Extended Scope

In consideration of the peculiarities in the nature of the Project's activities, the auditor will be required to carry out and report on the following additional outcomes:

- The auditor is expected to conduct agreed upon procedures of an audit nature and submit report of factual findings with regards to compliance with the operations manual for the **(1)** Temporary income support grants to affected people; **(2)** Temporary grants and support services for small business recovery; and **(3)** Labor Intensive Temporary Employment (LITE) Program; all of which correspond to Component 1 of the Project. In addition, the auditor will report on the controls implemented by the implementing entity (ies) for cash transfers to beneficiaries complemented with the requisite training and the eligibility criteria: select a representative sample of beneficiaries under the Project's sub components 1.1 and 1.2 to verify compliance of the operational procedure of the programs from the eligibility of beneficiaries up to receipt of benefits. The audit report will include the following information:

    - Beneficiaries actually eligible according to the established criteria
    - Rate of payments made in accordance with the procedures established in this manual and the contract within the agreed timeframe
    - Verification of receipt of funds by beneficiaries

- Conduct audit of 100 percent of those expenditures claimed under retroactive financing and provide separate audit opinion about the eligibility of those expenditures.

In complying with the International Standards on Auditing, the auditor is expected to pay particular attention to the following matters:

a) ***Fraud and Corruption***: Consider the risks of material misstatements in the project financial statements due to fraud as required by ISA 240: The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements. The auditor is required to identify and assess these risks (of material misstatement of the financial statements) due to fraud, obtain sufficient appropriate audit evidence about the assessed risks; and respond appropriately to identified or suspected fraud.

b) ***Laws and Regulations***: In designing and performing audit procedures, evaluating and reporting the results, consider that noncompliance by the implementing entity with laws and regulations may materially affect the financial statements as required by ISA 250: Consideration of Laws and Regulations in an Audit of Financial Statements.

c) ***Governance***: Communicate audit matters of governance interest arising from the audit of financial statements with those charged with governance of an entity as required by International Standards on Auditing 260: Communication of Audit Matters with those Charged with Governance.

d) ***Risks***: In order to reduce audit risk to an acceptable low level, determine the overall responses to assessed risks at the financial statement level, and design and perform further audit procedures to respond to assessed risks at the assertion level as required by Internal Standard on Auditing 330: the Auditor's Procedures in Response to Assessed Risks.

VII. Other Responsibilities of the Auditor

In compliance with the ISAs, the auditor should comply with the following requirements:

A. Conduct entrance and exit meetings with the Project Implementation Unit officials at the Ministry of Finance, Economic Planning and Information Technology (MoFEIT) of St. Vincent and the Grenadines.

B. Plan the audit work so that preliminary reviews can be conducted during the period under review (including the first few months), with the purpose of evaluating the systems of internal control and communicating to the implementing entity in a timely manner any situations that merit the attention of management before the issuance of the final audit report.

C. Obtain a Management Representation Letter in accordance with section 580 of the International Standards on Auditing, signed by the management of the MoFEIT.

D. Communicate deficiencies in internal control to those charged with governance and management in accordance with ISA 265.

VIII. Audit reports

The auditor shall issue their report in accordance with ISAs 700, 701,705, 706, 710, 720 and 800. All the reports resulting from the audit of the Project should be incorporated into one document). This report should be addressed and delivered to the Economic Planning Division of the MoFEIT one month before the due date as per the requirements of the Financing Agreements so that the audit report could be approved and sent to the Bank to comply with the requirements of respective Financing agreements. The report shall be issued in English, duly signed and bound, in original and 4 copies.

The audit report for the Project should contain at least:

- **An opinion on the special purpose financial statements**, based on the requirements in paragraphs **V** and **VI.** Specifically, opinions on whether (a) the project financial statements (section V (i)) present fairly, in all material respects, the funds received, and expenditures made during the year, (b) the expenditures reported are eligible for financing and project funds have been used only for Project purposes, and (c) compliance with finance agreement, laws and regulations (section V(ii)).

- Agreed upon opinion on whether the project activities referred to on extended scope above were incurred in accordance with the project operations manual.

- **Appropriate communication in the form of a report on internal control** (management letter) to those charged with governance and management, on deficiencies in internal control that the auditor has identified during the audit and that, in the auditor's professional judgement, are of sufficient importance to merit their respective attention including the adequacy of the internal control structure on the implementing entity (ies). The communication should disclose, among other information discussed in the Guidelines, the reportable conditions (those that have an impact on the financial statements), including the identification of material weakness in the internal control structure of the project implementing unit, recommendations as well as the comments by the management of MoFEIT. In addition, this communication should include a section on the follow-up of recommendations made in prior audit, indicating the current status of the recommendations as corrected, partially corrected, or not corrected. The deficiencies that still have not been corrected should be reported again in the current audit report, along with the corresponding management's comments.

In addition, the report should include:

A title page, table of contents, a transmittal letter to the Director of Economic Planning;

- **A summary of the main audit procedures performed** for planning the audit, evaluating the internal control structure, checking the figures included in the financial statements and other areas subject to audit, and for evaluating compliance with terms of the applicable agreements, laws and regulations.

In pursuant to the World Bank's policies, audited financial statements are publicly disclosed but management letters are not. As such, both reports should be segregated.

IX. Inspection and acceptance of the Audit Work and the Reports

The World Bank is responsible for inspecting and accepting the audit report and may appoint individuals or firms to carry out these activities, including the review of the working papers and the auditor's quality control procedure. If the report is not acceptable or not fully satisfactory due to deficiencies in the audit work, or because the report does not comply with the requirements stated in the ToRs or the Guidelines, the auditor shall perform the necessary additional work at no additional cost other MoFEIT, the Project or the World Bank.

Also, the representative of the World Bank may contact the auditors directly to request any additional information related to any aspect of the audit or the Project's financial statements including audit working papers. The auditors must satisfy such requests promptly.

If the World Bank determines that the audit report is not fully satisfactory, it will send a letter to the Director of Economic Planning indicating the actions suggested for correcting the deficiencies identified, asking that the World Bank be informed of any corrective actions taken. The Director of Economic Planning will also be informed of any aspects of the audit report that are not in compliance with the ToR, so that the auditor will correct the deficiencies with a specific timeframe or in the subsequent audit.

X. Deliverables and payment terms

The deliverables include submission of e the draft reports (audited financial statement with audit opinions and management letter) to the Director of Economic Planning on or before May 31st of each year to allow the PSIPMU to send the final audit reports to the World Bank on or before June 30th of each year.

Payment schedule shall be agreed upon with the selected firm when preparing the contract.

The Auditors would be provided with a copy of the Project Appraisal Document, Operations Manual of the project and the financing agreement, to understand the details and the complexities of the Project.

XI. Duration of the Assignment

The consultant will be required to audit the Beryl Emergency Resilient Recovery Project for each fiscal year (January – December) commencing 2025 through to 2027.

The duration of this contract will be approximately 36 months, subject to any extensions. In the event of any extensions, the rates provided for the fiscal year 2027 shall apply for an extension lasting up to twenty-four months.

XII. Auditor Qualifications and Experience

The qualifying audit firm is expected to meet the following qualification requirements and experience skills:

For an Auditing Firm:

(a) Be a legal entity with business license granted by a competent authority, preferably in St. Vincent and the Grenadines.

(b) Be an entity acceptable to the MoFEIT and the World Bank as being capable of conducting audits in accordance with international auditing standards.

(c) 3 years of experience in conducting audits in the Caribbean region.

(d) 3 years' experience in conducting financial audits of World Bank and/or donor funded projects.

(e) Membership with the Institute of Chartered Accountants of the Caribbean will be considered an asset

For all Auditors in the team:

(a) Should hold relevant professional and educational qualifications and hold a relevant professional auditing license/registration.
(b) Should have an in-depth experience in conducting audits of donor funded projects and project financial statements.
(c) Should have experience in auditing in the Caribbean region and have the relevant language skills.
(d) Should have no conflict of interests in relation to the project and its activities.

The following key experts are required for the assignment:

K-1	Audit Partner	▪ Chartered Accountant with at least ten (10) years professional experience approving and signing audit reports and management letters ▪
K-2	Team Leader/ Audit Manager	▪ Chartered Accountant with at least ten (10) years professional experience reviewing and approving audit reports and management letters ▪ At least eight (8) years' experience performing financial audits on projects or programmes funded by the World Bank or other multi-lateral or bi-lateral development agencies
K-3	Audit Senior	▪ Chartered Accountant with at least eight (8) years professional experience reviewing and approving audit reports and management letters ▪ At least five (5) years' experience performing financial audits on projects or programmes funded by the World Bank or other multi-lateral or bi-lateral development agencies
K-4	Staff Accountant	At least a BSc in Accounting and three (3) or more years relevant professional experience

Technical Evaluation Criteria

Evaluation Criteria	Points

Relevant Experience of firm:		10
Relevant experience and qualification of key staff:		
○ Key expert 1: Audit Partner	15 points	80
○ Key expert 2: Team Leader/Audit Manager	20 points	
○ Key expert 3: Audit Senior	20 points	
○ Key expert 4: Staff Accountant	25 points	
Nationals among key staff:		5
Registration and membership with the Institute of Chartered Accountants of the Caribbean:		5
Total Points		100

The minimum technical score shall be 85 percent.

XIII. Access to Information

Public Disclosure: The guiding principle of the World Bank's Access to Information Policy is that all information it creates is made public, unless it contains restricted information. In line with this policy, the final audit report will be publicly disclosed. Before finalizing the document, the World Bank requests the client to identify whether the document contains any sensitive information, or information for which its disclosure may adversely affect relations between the World Bank and the client. The World Bank, as it considers appropriate, makes adjustments to the document to address the matters of concern to the client.

XIV. Reporting Requirements

The Project Management Team at the PSIPMU will provide technical guidance, advice and operational oversight in guiding the auditing firm towards the accomplishment of the assigned tasks.

All reports should be submitted in Microsoft Word and PDF formats.

Payment to the auditing firm shall be will be remitted subject to the approval of deliverables by the Project Management Team and based on the Consultant's price proposal and agreed payment schedule.

XV: GENERAL

The auditor would be given access to all documents, correspondence, and any other information, which is deemed necessary by the auditor, relating to the Project. The auditor should obtain confirmation of amounts disbursed and outstanding from the World Bank.

ANNEX A

BERYL EMERGENCY RESILIENT RECOVERY PROJECT (BERRy)

A. Project Background

Project Development Objective

The objectives of the Project are to (i) provide short-term income and restore economic activity, and (ii) Build Back Better critical infrastructure and services impacted by Hurricane Beryl.

The Project includes the following three (3) components:

- Component 1: Early recovery income support and enhancement of income generating activities Building
- Component 2: Resilient construction, reconstruction and restoration of critical infrastructure and services
- Component 3: Project Management

Component 1. Early recovery income support and enhancement of income generating activities (US$16.2 million)

This component is comprised of three (3) subcomponents which focus on temporary income support grants, small business support grants and services, and a Labor-Intensive Temporary Employment (LITE) program. In the case of the grant programs, eligible recipients will be identified by the Ministry of National Mobilisation, etc, while the LITE program will be conducted through the Roads, Building and General Service Authority. Implementation will be conducted in accordance with procedures prescribed in the Project Operations Manual.

Component 2: Resilient construction, reconstruction and restoration of critical infrastructure and services (US$39.8 million)

This component is comprised of three (3) subcomponents and will support the rapid restoration and resilient reconstruction of critical infrastructure and services damaged by Hurricane Beryl. Support under this component will focus on supporting the rapid restoration and resilient reconstruction of priority infrastructure services. Additionally, this component may prioritize the construction of critical infrastructure vulnerable to future climate and disaster risks on account of exposure to Hurricane Beryl. It will also provide financial assistance for the temporary accommodations of displaced persons and the costs associated with ferry transportation to and from the Southern Grenadines to stimulate the recovery of economic activity and reconstruction efforts

Component 3: Project Management (US$7million)

This component will support essential positions for effective project management by the project team established by the Public Sector Investment Programme Management Unit (PSIPMU) of the Ministry of Finance, Economic Planning, and Information Technology (MoFEPIT) and identified implementing partners. These include (a) the staffing of a project coordinator, engineers (senior and junior), financial management (FM) specialists (senior and junior), procurement specialists (senior and junior), environmental specialists (senior and junior), social specialists (senior and junior), and two project officers. Additionally, this component will finance (a) all fiduciary aspects of the project including audits; (b) the provision of training and workshops; 11 (c) administrative, management, and operating costs, including necessary goods and equipment for project implementation; and (d) convening and reporting to the Project Steering Committee (PSC). Also, technical support for M&E, information technology and communications will be shared with the VEEP project, with oversight provided by the PSIPMU.

B. Project Financing

The total cost of the Project is **USD 63 million** to be financed by a Credit from the International Development Association (IDA). A breakdown of the Project costs is presented in the table below:

Component	Component Activities	Estimated Cost (USD)
Component 1	**Subcomponent 1.1:** Temporary income support grants	10.65 million
	Subcomponent 1.2: Small business support grants and services	1.80 million
	Subcomponent 1.3: Labor Intensive Temporary Employment (LITE) Program	3.75 million
Sub Total		**16.20 million**
Component 2	**Subcomponent 2.1:** Immediate response and repair of damage infrastructure and disrupted services	9.80 million
	Subcomponent 2.2: Support to the medium- and longer-term construction, reconstruction, and restoration of severely damaged infrastructure of services	24.00 million

	Subcomponent 2.3: Financial support for temporary accommodations and transportation	**6.00 million**
Sub Total		**39.80 million**
Component 3	Project Management	**7.00 million**
Total Project Financing		**63 million**

C. Implementing Entity

The MoFEPIT, through its PSIPMU and the project team within it, will lead the project implementation. The PSIPMU project team will be responsible for the technical, administrative, legal, fiduciary, procurement, oversight of environmental and social risk management, and the monitoring and evaluation aspects of the project. This includes ensuring compliance with fiduciary agreements, procurement regulations, and environmental and social risk management standards and overseeing monitoring, reporting, and evaluation of processes and results.

The project team will be headed by a dedicated project coordinator and supported by dedicated specialists for technical, environmental and social risk management, social protection, financial management, and procurement. Specialists for monitoring and evaluation, information technology, and communications will be shared between the project and the Volcanic Eruption Emergency Project (VEEP) with oversight provided by the PSIPMU. Reporting directly to the Director of Economic Planning, the project coordinator will lead project implementation and supervise the project team in planning, organizing, and executing the project activities. The organizational structure of the project team, along with the duties and responsibilities of all the team members, will be documented in the Project Operations Manual (POM).

The project will utilize the VEEP intergovernmental Project Steering Committee (PSC) to provide guidance to and oversight to project implementation. The PSC established by the Cabinet in March 2022 for a national, multi-sectoral response to the La Soufrière volcanic eruption and under the VEEP will extend its responsibilities to the project upon its effectiveness. The PSC was formed by the permanent secretaries of relevant line ministries and agencies. The structure, roles, and responsibilities of the PSC will be detailed in the POM.