

SVG Coastal and Marine Ecosystem Management Strengthening Project

Terms of Reference for Financial Audit

GENERAL CONSIDERATIONS AND REQUIREMENTS

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. However, this information must be complemented with that provided in the most relevant Bank publications regarding auditing: Terms of Reference for Audits of Projects, World Bank Disbursement Guidelines for Projects (2017), Financial Management Manual for World Bank Financed Projects, Disbursement and Financial Information Letter and supporting annexes. The auditors must also be familiar with the Interim Financial Reports (IFRs) for World Bank Financed Projects. This publication constitutes the basic criteria against which the World Bank will measure the quality of the auditor's work when performing the desk review of the audit report. Furthermore, the "Guidelines" are specifically considered an integral part of the TORs.

II. Relationships and Responsibilities

The client for the audit is the Implementing Entity (IE) and the Bank is an interested party. A Bank representative may participate in the entrance and exit conferences; supervise 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. Audit Background

During loan negotiations, the World Bank and the Borrower agreed that there would be annual independent audit of the SVG Coastal and Marine Ecosystem Management Strengthening Project – GEF Grant No. TF0B8353. See Annex A for the project summary.

IV. Audit Objectives and applicable Standards

The overall objective of this engagement is to perform a **special purpose framework financial audit**, as defined by the International Federation of Accountants (IFAC), that will allow the auditors to express a professional opinion as to whether the project's financial

statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

More specifically, the objective of this engagement is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework and to report on the financial statements, and communicate as required by the International Standards on Auditing (ISA), in accordance with the auditor's findings.

This special purpose audit must be performed in accordance with the ISA issued by the IFAC, 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 financial statements, including all relevant 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 international accounting standards and the requirements of the respective agreements with World Bank.
- 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 implementing entity (ies) in regards to the Project. 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. 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 Framework

A special purpose framework is designed to meet the specific needs of a specific user or group of users. Here, the special purpose framework consists of:

- (i) a complete set of financial statements established using acceptable reporting standards**

A complete set of special purpose financial statements consist of statements that show the financial position of the project at the end of the period being audited, where the World Bank's

funds shown as per 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
- Notes to the Financial Statements and supplementary information

In the preparation of the financial statements, the framework criteria may be International Public Sector Accounting Standards (IPSAS), the International Financial Reporting Standards (IFRSs), or other international or national financing reporting frameworks for use in the public sector.

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 generally accepted auditing standards, which must be compatible with the guidelines contained in the World Bank's publication mentioned above. 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 relevant 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 relevant financing agreement.
- Implementing entity (ies) should keep all necessary supporting documents, records, and accounts in respect of all Project ventures including expenditures reported via interim financial reports and designated account. Clear linkages should exist between the books of account and reports presented to the World Bank.
- Where a designated account has been used, it should be maintained in accordance with the provisions of the relevant financing agreement.

- Conduct audit of 100 percent of those expenditures claimed under retroactive financing and provide separate audit opinion about the eligibility of those expenditures.
- The Project accounts should be prepared in accordance with International Accounting Standards consistently applied and give a true and fair view of the financial situation of the Project at the end of the period and of the resources and expenditures for the year ended on that date.

The audit should be performed in accordance with acceptable auditing standards, and therefore should include the tests of the accounting records that the auditors consider necessary under the circumstances. The auditors should be alert for situations or transactions that may indicate fraudulent, wasteful or illegal acts and expenditures. If such evidence exists, the auditors must communicate the situation simultaneously to a duly authorized representative of the Bank and to the Project management, and exercise caution and due professional care in expanding their audit steps and procedures related to illegal acts. Section 240 of the International Standards on Auditing provides guidance on this respect.

VII. Other Responsibilities of the Auditor

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

- A. Conduct entrance and exit conferences with the Ministry of Tourism, Civil Aviation, Sustainable Development and Culture (MoTCASDC) 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. Independently reference the audit report before issuing it.
- D. Obtain a Management Representation Letter in accordance with section 580 of the International Standards on Auditing, signed by the management of the MoTCASDC.
- E. 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 and expressed in United States Dollars (USD). This report should be addressed and delivered to the Ministry of Tourism, Civil Aviation, Sustainable Development and Culture 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 Legal 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.
- **Appropriate communication in the form of a report on internal control** 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 MoTCASDC. 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 Permanent Secretary, Ministry of Tourism, Civil Aviation, Sustainable Development and Culture and a summary containing the information required in the Guidelines.
- **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.
- **Written representation from the management** in the form of a management letter. In the letter, management should indicate that they believe that they have fulfilled their responsibility for the preparation of the financial statements and for the completeness of the information provided to the auditor. In addition, management should provide a written representation that it has communicated to the auditors all deficiencies in internal control of which management is aware including the follow-up of recommendations made in prior audits, indicating the status of the recommendations as corrected, partially corrected, or not corrected.

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 to MoTCASD, 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 Permanent Secretary, MoTCASDC indicating the actions suggested for correcting the deficiencies identified, asking that the World Bank be informed of any corrective actions taken. The Permanent Secretary, MoTCASDC 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. Terms of Performance

The auditor will issue the draft reports on or before May 31st of each year to allow the Ministry of Tourism, Civil Aviation, Sustainable Development and Culture to send to the World Bank the final audit reports on or before June 30th of each year.

Payment for the audit services will be as follows:

- First payment on audit engagement.
- Second payment on presentation of draft audit.
- Final payment on acceptance of the audit report.

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

XI. Duration of the Assignment

The consultant will be required to audit the SVG Coastal and Marine Ecosystem Management Strengthening Project for each fiscal year (January – December) commencing 2024 through to 2027.

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

XII. Qualifications and Experience

- The Consultant must have completed the audit for at least one (1) World Bank or other multi-lateral or bi-lateral donor financed project in the past five (5) years.
- The Consultant must have at least five (5) years' experience performing audits according to International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC).

The following key experts are required for the assignment:

K-1	Team Leader/ Audit Manager	<ul style="list-style-type: none">▪ Chartered Accountant with at least ten (10) years professional experience reviewing and approving audit report 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-2	Audit Senior	<ul style="list-style-type: none">▪ Chartered Accountant with at least eight (8) years professional experience reviewing and approving audit report 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-3	Assistant Audit Senior	<ul style="list-style-type: none"> ▪ At least a BSc in Accounting and five (5) or more years relevant professional experience
K-4	Staff Accountant	<ul style="list-style-type: none"> ▪ At least a BSc in Accounting and three (3) or more years relevant professional experience

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. 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. It is highly desirable that the auditor become familiar with the World Bank's *Guidelines on Financial Guideline*. The auditor shall also be familiar with the World Bank's *Disbursement Manual and Guidelines*, Procurement under *International Bank for Reconstruction and Development (IBRD) Loans* and *International Development Association (IDA) Credits*. The auditor would be provided with copies of the Project Implementation Plan and Project Appraisal Document.