Regional Off-Grid Electricity Access Project (ROGEAP) - P160708

RECRUITMENT OF THE PROJECT EXTERNAL AUDIT FIRM

TERMS OF REFERENCE

Financing: World Bank

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CONTENTS

1. INTRODUCTION 2
1.1 Background Context 2
1.2 Rationale 3
2. OBJECTIVES OF THE PROJECT AUDIT 3
3. PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS 4
4. TENURE AND SCOPE OF THE AUDIT 4
4.1 Audit Tenure 4
4.2 Audit Coverage/Scope 4
5. FINANCIAL STATEMENTS OF THE PROJECT 6
6. SATEMENTS OF EXPENDITURE (SOE)/UNAUDITED INTERIM FINANCIAL REPORTS (IFR) 7
7. DESIGNATED ACCOUNT 7
8. EXPECTED DELIVERABLES 7
8.1 Audit Report 7
8.2 Management Letter 8
9. ACCESSIBILY AND AVAILABILITY OF INFORMATION 8
10. CONTACTS DURING THE MISSION 9
11. GENERAL INFORMATION 9
12. QUALIFICATIONS AND EXPERIENCE OF THE AUDITOR 9
13. DURATION AND TIMING OF THE AUDIT 10

1. INTRODUCTION

1.1 Background Context

Of the 406 million people residing in West Africa and the Sahel Region, it is estimated that 208 million inhabitants have no access to electricity, about 70 percent of whom live in rural areas. Due to the strategic importance of energy in achieving sustainable development and poverty reduction in the Economic Community of West African States (ECOWAS) and Sahel region, ECOWAS Centre for Renewable Energy and Energy Efficiency (ECREEE) initiated the Regional Off-Grid Electrification Project (ROGEP), in partnership with Banque Ouest Africaine de Développement (BOAD),with the objective of increasing electricity access of households, businesses, and public institutions using modern stand-alone solar technology through a harmonized regional approach.

The project is funded by the World Bank, with co-financing from the Clean Technology Fund (CTF), the Directorate General of International Cooperation (DGIS) of the Government of the Netherlands and the Compact with Africa Green Businesses Multi-Donor Trust Fund (CwA). It is framed in the ECOWAS Program on Access to Sustainable Electricity Services (EPASES), directly contributing to the goals of the ECOWAS Regional Renewable Energy Policy (EREP) with a target to provide universal access to electricity to the region by 2030.

The project was restructured and approved by the World Bank on March 11, 2021, including ECOWAS and BOAD as the two implementing agencies of the project. The project was also renamed to Regional Off-Grid Electricity Access Project (ROGEAP).

The main objective of this project is to increase electricity access of households, businesses, and public institutions to modern stand-alone solar systems through a harmonized regional approach with the goal of providing electricity access to un-electrified households, commercial enterprises, and public institutions through off-grid solar PV mechanisms. In particular, the intervention is being designed to be market-driven and hence will require a functioning off-grid electrification market, to work successfully. The project's objective will include the development and/or improvement of the off-grid markets in the project countries. Critical is the removal of barriers that needs to be overcome to achieve this goal, especially in the policy environment, micro and macroeconomic challenges and institutional capacity strengthening among others.

To improve the access to electricity, the project will: (a) identify policy barriers affecting the growth of the stand-alone solar market, create awareness among the government policy makers on the benefit of removing such policy barriers, and provide targeted support to remove barriers in challenging markets; (b) help the countries adopt the Common External Tariffs (CET) to facilitate cross-border trade of stand-alone solar products; (c) develop a regional quality assurance framework to facilitate supply of eligible stand-alone solar products across the 19 project countries; (d) build human capital and increase entrepreneurial activity by providing training to develop adequate and required skills through a structured entrepreneurship development facility, which will ensure reliable service to the beneficiaries and create employment opportunities at the local level; (e) provide access to finance to

solar companies and beneficiaries in this new line of business; and (f) reduce risk of promoting new technologies and business models.

Moreover, the project has supported market intelligence studies demonstrating the opportunities and challenges presented by the off-grid markets in the project countries. These studies will provide critical data to help manufacturers, distributors, and retailers to make informed business decisions. An example of a critical area for study in the project's target countries includes import tariffs, duty and other tax regimes on off-grid lighting products that affect the creation and sustainability of broader off-grid regional markets.

Furthermore, to unlock regional demand for stand-alone solar systems, the project will inform the potential end-users of the many benefits of high quality off-grid solar products through consumer awareness campaigns and materials in the 19 countries aiming at behavioral change towards off-grid products, accessibility, affordability, advantages and ultimately increase adoption.

1.2 Rationale

For the effective implementation of the project, the ECOWAS Commission has established a dedicated Project Implementation Unit (PIU) within the Office of ECOWAS Commissioner responsible for Energy and Mines. Under the direct supervision of the Commissioner, the PIU is responsible for the overall coordination of the Project operations. The institutional, technical, administrative, accounting, financial and procurement management arrangements are presented in Project Document, February 2021, and the Project Operational Manual

The implementation of the project is revised effectiveness date is 2022. In accordance with the Guidelines on Annual Financial Reporting for World Bank-Financed Activities issued on June 30, 2003, it is envisaged that the project will be subjected to annual audit for the entire duration of its implementation as stipulated in the signed Grants/ Financing Agreements. It is within this project reporting framework that the ECOWAS Commission intends to engage the services of a qualified Audit firm to conduct financial audit of the fiscal years 2025 to 2027 (June 30th 2027), based on these Terms of Reference (TORs).

2. OBJECTIVE OF THE PROJECT AUDIT

The purpose of the financial audit is to enable the auditor to express a professional opinion on the financial position of the project at the end of each financial year, 2025, 2026 and the six months ending June 30th, 2027. Opinion will also be expressed for the funds received and expenditures incurred for the relevant accounting period and to ensure that the resources made available to the project are used for the purposes for which they were granted with a view to achieving the development objectives of the project as stated in the Grants/ Financing Agreements.

The expression of this professional opinion will be based on the accounting records and relevant supporting documents prepared by the Financial Management Specialist of the ROGEAP PIU and made available to the auditors respectively. The project books of accounts provide the basis for preparation of the Project Financial Statements (PFSs) and are established to reflect the financial

transactions in respect of the project. That the ROGEAP PIU/ ECOWAS Commission maintains adequate governance, risk management and internal controls, and supporting documentation for transactions.

3. PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

Responsibility for the preparation of the financial statements including the adequate disclosure in terms of notes and appendices to the financial statements rests with the Financial Management Specialist of the ROGEAP PIU in accordance with International Public Sector Accounting Standards (IPSAS). The ECOWAS Commission is also responsible for the selection and application of accounting policies. In addition, the ECOWAS Commission has put in place an adequate internal control system and acceptable documentation of transactions related to the project.

The auditor is responsible for forming an opinion on the financial statements based on International Standards on Auditing (ISA) in particular, with reference to **ISA 200** (Overall objective of an independent auditor and the conduct of an audit in accordance with International Standard on Auditing) as promulgated by the International Federation of Accountants (IFAC), to provide reasonable assurance that the financial statements are presented fairly. This will include conducting tests of controls, and substantive testing as the auditor considers necessary in the circumstances.

As part of the audit process, the auditor may request from the ECOWAS Commission written confirmation concerning representations made in connection with the audit.

4. TENURE AND SCOPE OF THE AUDIT

4.1 Audit Tenure

The tenure of this audit shall, in line with extant arrangements, be for three financial years and shall cover the fiscal years of 2025, 2026, and June 30th 2027, which shall cover the period from 1st January to December every financial year, except for the fiscal year 2027 and will be carried out within Forty (40) days.

4.2 Audit Coverage/Scope

As stated above, the audit of the Project will be conducted in accordance with International Standards on Auditing (ISAs) promulgated by the International Federation of Accountants (IFAC) and the audit exercise will include such tests and procedures and such other audit procedures as the auditor deems necessary in the circumstances.

In particular, the auditor should pay special attention to ascertain whether:

(a) All the Bank's resources have been used in accordance with the provisions of the applicable financing agreement (i.e., Grants/ Financing Agreements), with due regard to economy and efficiency, and only for the project's intended purposes as specified in the Grants/ Financing Agreements.

(b) The goods and services financed were procured in accordance with the provisions of the applicable financing agreement based on World Bank procurement policies and procedures[1] and were properly recorded in the books of accounts;

(c) All the necessary files, supporting documents, records and accounts were properly maintained in respect of the various operations of the project including expenditures reported using Statements of Expenditure (SOE) or Interim Unaudited Financial Reports (IFRs). The auditor is expected to verify that respective reports issued during the period agreed with the underlying books of account as accepted by the World Bank.

(d) The Designated Accounts (IDA, CTF and DGIS) have been operated and maintained in accordance with the provisions of the financing agreements; and funds disbursed out of the Accounts were utilized for the intended purpose (s) as specified in the grants/ financing agreement.

(e) The accounts of the Project have been prepared by the Financial Management Specialist (FMS) based on the consistent application of the International Public Sector Accounting Standards (IPSAS) and reflect a true and fair view of the financial position of the Project as at the end of each financial period and of the resources received and expenditures incurred during the period then ended.

(f) That the overall financial performance of the project is satisfactory.

(g) Assets procured from project funds exist and there is verifiable ownership by the project or beneficiaries in line with the financing agreements.

(h) Where applicable, all ineligible expenditures included in the Withdrawal Applications identified during the audit of the project were reimbursed to the Designated Account. These expenses will be the subject of a separate note in the audit report.

(i) Relevant National laws and regulations have been complied with, and that the financial and accounting procedures approved for the project (e.g., project operational manual, financial procedures manual, etc.) were adequately followed and complied with.

In accordance with International Standards on Auditing (ISAs) the auditor is expected to pay particular attention to the following matters:

(a) ***Fraud and Corruption:*** In accordance with **ISA 240 (The auditor responsibility relating to fraud in an audit of the financial statement),** the auditor should identify and assess the risks of fraud emanating from any material misstatements of the financial statements, obtain or provide sufficient audit evidence of analysis of those risks (of material misstatement of the financial statements), and deal appropriately with the identified or suspected fraud.

(b) ***Laws and Regulations ISA 250 (Consideration of regulations and laws in audit of the financial statements) :*** In designing the audit approach and performing audit procedures, the auditor should evaluate and ascertain the ROGEAP PIU Coordination Unit's compliance with

[1] Dependent on the nature and complexity of the project procurement activities, the auditor may also consider engaging and involving technical experts during the audit engagement. In cases where such experts are involved, the auditor is expected to comply with provisions of International Standard on Auditing 620: Using the Work of an Expert. Consideration to use of the work of experts should be brought to the early attention of the borrower and the World Bank for mutual agreement and appropriate guidance.

applicable laws and regulations that could materially affect the financial statements as required by **ISA 250 (Consideration of the risks of misstatement of the financial statements due to non-compliance with laws and regulations in an audit of the financial statements).**

(c) ***Governance***: Communication of significant audit matters of governance interest arising from the audit of the project financial statements with those charged with the project governance in accordance with the requirements of **ISA 260 (Communication on the Engagement with those charged with Governance).**

(d) ***Risks***: With the objective of reducing audit risks to a relatively acceptable low level, the auditor will perform appropriate audit procedures in response to the assessed risks of misstatement identified at the assertion level as a result of the auditor's assessment, in accordance with **ISA 330 (Audit procedures performed by the auditor based on assessed risks).**

5. FINANCIAL STATEMENTS OF THE PROJECT

The auditor will verify that the financial statements of the project have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and agreed requirements of the Grants/Financing Agreement and provide a true and fair view of the financial position of the project at the closing date of the financial year and of its resources and expenditure on that date.

The project's financial statements include:

(a) a statement of resources (funds received from the International Development Association (IDA), etc.) and uses (expenditures incurred during the reporting period).

(b) a statement of resources from the Directorate-General for Internal Cooperation (DGIS) and expenditure incurred during the period under review.

(c) a statement of resources from the Clean Technology Fund (CTF) and expenditure incurred during the period under review.

(d) a summary statement of transactions of the Designated Account.

(e) a statement of assets and liabilities showing the accumulated funds, bank balances, other assets and liabilities and commitments, if any.

(f) the notes to the financial statements describing the key accounting policies and principles that have been adopted and used and presenting a detailed and explained analysis of the main accounts; and

(g) a list of fixed assets acquired or purchased by Project funds.

(h) the reconciliation of funds received by the project from the World Bank on the one hand, and the funds disbursed by the World Bank on the other hand.

6. SATEMENTS OF EXPENDITURE (SOEs)

In addition to auditing the financial statements, the auditor will be required to audit statements of expenditures used as the basis for claiming funds from the World Bank. The auditor will perform such tests, audit procedures, and verification as are considered necessary in the circumstances. The total withdrawals under the statements of expenditure or interim financial reports should constitute an integral part of the overall reconciliation of Bank disbursements described in paragraph 5 above.

7. DESIGNATED ACCOUNT

As part of the audit of the project's financial statements, the auditor shall analyze the transactions of the Designated Account which normally include:

(a) Advance deposits received from the World Bank.

(b) Replenishments substantiated by withdrawal applications;

(c) Any interest that may be generated on the account that belongs to the project;

(d) Withdrawals relating to project expenditures.

In auditing the activities of the Project's Designated Account, the auditor should pay particular attention to the Project's compliance with the Bank's procedures and the balance at the end of the fiscal year (or period). In particular, the auditor will review the eligibility of financial transactions covering the period under review and the fund balances at the close of such a period, the operation and use of the Designated Account (DA) in accordance with the relevant general conditions, relevant financing agreement and disbursement letter, and the adequacy of internal controls for this type of disbursement mechanism. For this Project, the Designated Account is referred to in the general conditions, the Financing Agreement (subsection 5.3) and Disbursement Letter (para. I).

The auditor will examine the eligibility and accuracy of:

(a) the financial transactions in the period under review;

(b) the account balances at the end of the year under review

(c) the use of the Designated Account in accordance with the Grants/ Financing Agreements;

(d) the adequacy of internal control for the type of disbursement mechanism.

8. EXPECTED DELIVERABLES

8.1 Audit Report

Upon the completion of each audit exercise, the auditor will issue an opinion on the financial statements of the project. The annual audit report of the project accounts will include a separate paragraph highlighting the status of internal control, highlighting its strength/weaknesses and cases of non-compliance with the terms of the grants/financing agreement.

The draft audit report with comments and management inputs shall be received no later than one (1) week after the end of the field mission.

The ROGEAP PIU/ ECOWAS Commission will make initial observations during a debriefing session at the end of the audit field work, review the management findings, resolve outstanding audit issues, initiate the draft audit report and consider material audit findings and recommendations with management comments/feedback. The auditor will have a period of at least one (1) week to finalize the report.

8.2 Management Letter

In addition to the audit report on the financial statements, the auditor will prepare a management letter which will include:

(a) Comments and observations on the accounting records, systems and controls examined during the audit;

(b) Where applicable the weaknesses in the internal control system and make recommendations for improvement;

(c) Report on the degree of compliance with each financial covenants contained in the grant agreement and comments if any on external and internal issues affecting such compliance.

(d) Communicate matters that have come to his/her attention during the audit likely to have a significant impact on project implementation.

(e) Comment on the extent to which outstanding issues/qualifications issues have been addressed

(f) Comment on outstanding recommendations from previous audit reports that have not been satisfactorily implemented.

(g) Comments and observations on procurement activities on the project.

(h) Comments on any other matters that the auditor considers relevant, including ineligible expenditures.

The management letter should include the ROGEAP PIU/ ECOWAS Commissions' response to audit discoveries or material weaknesses identified by the auditor during the audit.

9. ACCESSIBILITY AND AVAILABILITY OF INFORMATION

The auditor will have unhindered access to all project financial, human resources, administration, procurements, and technical documents. Access to legal documentation, correspondence and any other information relating to the project that the auditor deems necessary for the audit will be made available accordingly.

10. CONTACTS DURING THE MISSION

To facilitate the smooth and effective conduct of the audit, the ROGEAP PIU/ ECOWAS Commission will provide the selected audit firm with a list of essential services and contacts. These include:

(a) Directorate of Energy and Mines (Director of Energy and Mines; Energy Programme Officer)

(b) Directorate of General Administration (Head of Procurement Division)

(c) Financial Reporting and Grants Department (Financial Reporting and Grants Director, Head of Grants Division)

(d) PIU (Senior Advisor, Financial Management Specialist; Procurement Specialist, Monitoring and Evaluation Officer, Communication Officer, Grievance and Redress Officer, Administration staff etc.)

11. GENERAL INFORMATION

The financial statements, including the audit report, management letter and management response should be received by the World Bank no later than 6 months after the end of the accounting year to which the audit relates.

It is highly desirable that the auditor becomes familiar with the Bank's Guidelines on Annual Financial Reporting for *World Bank-Financed Activities, June 30, 2003*, which summarizes the Bank's financial reporting and auditing requirements. The auditor will also consult the World Bank's Procurement Guidelines. The auditor should also consult the World Bank Disbursement Manual. These documents will be provided by the ECOWAS Commission or retrieved from the World Bank website.

Additionally, the auditor shall submit a financial proposal showing the amount of annual fees for each fiscal year.

12. QUALIFICATIONS AND EXPERIENCE OF THE AUDITOR

The Consultant must be an independent Audit and Chartered Accountancy Firm, having regular practice of auditing accounts, regularly registered in an Order of Chartered Accountants recognized internationally by IFAC or FIDEF, having a confirmed experience (by a certificate of successful completion) in financial audit of development projects and acceptable to IDA.

The firm must have experience of at least 10 years and have performed at least two (2) audits of ECOWAS projects/programs financed by the World Bank. Similar experience in West or Central Africa, sub-regional development organizations would be an additional asset. Similar experience in Energy sector projects will also be an additional asset.

Key mission staff will be required to include at least:

(a) Mission Director— Chartered Accountant with at least 12 years' experience in financial audit with at least 5 years' experience in auditing projects financed by multilateral donors (World Bank, African Development Bank, European Union, IFAD etc.) and a good knowledge of administrative, financial, and accounting management procedures and audits of projects financed by the World Bank,

(b) Head of Mission— Specialist in Finance and Accounting, with at least 10 years' experience in financial audit with at least 3 years' experience in auditing projects financed by multilateral donors (World Bank, European Union, IFAD etc.);

(c) Two (2) senior auditors with at least a Bachelor's Degree in Accounting or Auditing or Finance and with at least five (5) years of experience in an auditing firm including two (2) years in the field of auditing projects financed by the World Bank or other development partners and,

(d) One (1) Auditor with experience in auditing Procurement activities, with at least five (5) years of experience with at least a master's degree with a good knowledge of IDA procurement procedures and having carried out at least two (2) project audit missions.

13. DURATION AND TIMING OF THE AUDIT

For each year, the duration of the audit is estimated to be 5 weeks (40 days) per fiscal year.

The provisional schedule is as follows:

Activities	Date
Kick-off meeting	TBD
Field mission	T_0 + 1 week (s)
Preliminary restitution	End of field mission
Transmission of the interim draft report and management letter	T_0 + 1 week (s)
Formulation of comments by the Client	T_0 + 1 week (s)
Transmission of the final report	T_0 + 1 week (s)