

African Development Bank

Fiduciary and Inspection Department

TERMS OF REFERENCE TO REVIEW SMALL OPERATIONS FINANCED BY THE BANK GROUP



August 2022 - July 2025

<p style="text-align: center;">TERMS OF REFERENCE TO REVIEW FINANCIAL STATEMENTS OF SMALL OPERATIONS AND TRUST FUNDS FINANCED BY THE BANK GROUP</p>
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I. BACKGROUND

1.1 The African Development Bank Group (the Bank) has been supporting the African Technology Policies Studies Network (ATPS) in its development efforts since **22/07/2022**. A Grant was approved in **22/07/2022** to finance the “Building the Capacity of Selected sub-Sahara African Countries to Effectively Measure Progress in their Nationally Determined Contributions’ Implementation Using Tracking Tools Indexes”.

1.2 Provide other information such as Development objectives of the project/program; Institutional and project/program financial management arrangements; other co-financiers if any; financial year/period to be audited; level of disbursements; and any other pertinent information that should be brought to the attention of the practitioner.

i. Development objectives of the project/program

- a) Identify and train strategic NDCs implementation champions/ focal persons in twelve selected SSA countries;
- b) Work with the trained champions/ focal persons to deploy the NDC tracking and monitoring tools and generate indexes for the target countries; and
- c) Promote and advocate for the use of the NDC implementation tracking tools and index for decision-making and in fostering compliance to the Paris Agreement in SSA.

ii. Institutional and project/program financial management arrangements

The Financial Management of the project is being carried out by the lead partner - ATPS, who is responsible for accounting, internal control, funds flow and financial reporting. The internal controls of the ATPS apply, with the accounting done in line with international accounting standards and as prescribed by the donor. The Finance and Administration Department (FAD) is headed by the Finance and Administration Officer who is responsible for all financial and administrative issues. The ATPS uses Sage Pastel software system, designed to meet both internal and external financial reporting requirements.

iii. Financial year/period to be audited

The period to be audited is 22nd July 2022 to 30th July 2024

II. OBJECTIVE OF THE REVIEW ENGAGEMENT

2.1 The practitioner's objectives in a review of financial statements under International Standard on Review Engagements (ISRE) 2400 are to:

2.1.1 Obtain limited assurance primarily by performing inquiry and analytical procedures about whether the financial statements as a whole are free from material misstatement, thereby enabling the practitioner to express a conclusion on whether anything has come to the his/her, attention that causes the him/her practitioner to believe that the financial statements are not prepared in all material respects in accordance with an applicable financial reporting framework; and

2.1.2 Form a conclusion, report on the financial statements as a whole, and communicate as required by this ISRE (negative opinion)

2.1.3 Obtain limited assurance whether the project/program books of accounts provide the basis for preparation of the Project Financial Statements (PFSs) by the project/program implementing unit and are established to reflect the financial transactions in respect of the project/program. The PIU maintains adequate internal controls and supporting documentation for transactions.

III. RESPONSIBILITY FOR PREPARATION OF FINANCIAL STATEMENTS

3.1 The responsibility for the preparation of Project Financial Statements (PFSs) lies with the Project/program Management. The Project/program Management is also responsible for:

3.1.1 The selection and application of accounting policies. Project/program Management will prepare the PFSs in accordance with applicable accounting standards-either the International Public Sector Accounting Standards (IPSASs), International Financial Reporting Standards (IFRs), or National Accounting Standards;

3.1.2 Implementing accounting, administrative and financial procedures documented in the applicable procedure manuals.

The practitioner is responsible for expressing conclusions on the objectives of the review engagement as stated in paragraph 2.1 above.

IV. SCOPE OF THE REVIEW ENGAGEMENT

4.1 The review will be carried out in accordance with the International Standards on Review Engagement (ISRE 2400) on the following Subject Matters:

(a) All funds including counterpart funds and other external funds (in case of co-financing) have been used in accordance with the conditions of the Grant agreement(s), with due attention to economy and efficiency and only for the purposes for which the funds were provided;

(b) Goods, works and services financed have been procured in accordance with the financing agreement; and have been properly accounted for;

(c) Appropriate supporting documents, records and books of accounts relating to all project/program activities have been kept;

(d) Disbursements of funds have been made based on the Disbursement Handbook and in accordance with the conditions of the Grant or Credit agreements;

(e) Special accounts have been maintained in accordance with the provisions of the Grant agreement and in accordance with the Bank's disbursement rules and procedures;

(f) Payments made using project/program funds relate to project/program activities as stated in the project/program progress reports;

(g) The financial statements have been prepared by project/program management in accordance with applicable reporting framework;

(h) There are no ineligible expenditures identified during the review.

V. FINANCIAL STATEMENTS

5.1 The practitioner shall verify that the Project Financial Statements (PFSs) have been prepared in accordance with agreed accounting standards (refer to section III above) and give a true and fair view of the financial position of the project at the relevant date.

5.2 For financial reporting purposes, the practitioner shall verify and ensure the PFSs have been presented using the Borrower's functional currency. Where functional currency is not used for the purpose of PFSs presentation, full exchange translation is required. The auditor shall obtain from management the rationale and justification for use of a presentation currency different from the functional currency.

5.3 The project/program financial statements prepared by project/program management shall include:

- i) Statement of Sources¹ (funds received from the Bank, counterpart funding and where applicable, co-financiers' funding) and Uses of Funds (expenditures incurred for both the current year and accumulated to-date) showing separately Bank's funding, those of counterparty and co-financiers if applicable and cash balances;
- ii) Notes to the Financial Statements:
 - a. Describing the applicable accounting policies;
 - b. Giving a breakdown of significant balances;
 - c. Presenting a reconciliation between the amount shown as "received from the Bank" and that shown as having been disbursed by the Bank.

VI. SPECIAL ACCOUNTS AND OTHER PROJECT/PROGRAM BANKS ACCOUNTS

6.1 The practitioner shall review documents relating to the use of the Special Account (SA) to ensure that:

- a) All Statements of Expenditures (SOE) submitted in support of SA replenishment are consistent with the supporting documentation;
- b) The internal control governing the use for SA is adequate and could be relied upon to justify continuous requests for replenishment;
- c) For each review engagement, based on the outstanding balance on the special account (SA) received from the Bank, the borrower will avail to the practitioner, corresponding SOE with the supporting documents justifying use of the outstanding balance, for the audit in question.

¹ Any revenue generated by the Project/program e.g. sale of bid documents, disposal of project/program assets, bank credit interests earned in the special account and fees earned should be accounted for and disclosed.

- d) The practitioner is required to review specific SOE and the related supporting documents and report on its accuracy and objectivity in the Management Letter. Any discrepancy – if material - will be reported likewise in the Management Letter. The SOE including its supporting documents will be attached as an annex to the financial statements in the practitioner’s report.
- e) Any inter-account funds transfers between the SA and other project bank accounts on one hand; and between all project bank accounts (including SA) and other non-project accounts during the financial year are justified.
- f) For last audit engagement, determine whether all SA liquidation procedures have been complied with including; submission of all SOEs covering use of SA resources, transfer of unutilized SA balances and closure of SA.

6.2 The practitioner shall:

- a) Agree cash contributions were budgeted in the central government annual budget and released on time to the project/program either counterpart account as planned.
- b) Ensure all counterpart funds have been used for the purpose of the project/program
- c) Adequate basis exists for valuation of In-kind counterpart contribution for inclusion into the financial statements.

VII. REVIEW REPORT

7.1 The review report shall be prepared in accordance with ISRE 2400, and should comprise:

- i) **A Report on the Financial Statements** and
- ii) **A Management Letter.**

The report on the financial statements will include:

- (a) the practitioner’s statement of negative assurance (opinion) and
- (b) a complete set of project/program’s financial statements including explanatory notes as appropriate.

The Management Letter will:

- i. Identify specific deficiencies and areas of weakness in systems and controls,

- ii. Report on the appropriate justification of the special accounts and for the specific case of the last review engagement, indicate the status of and actions taken by management to clear the outstanding balances of the special accounts in the Bank's books and the balances in the special accounts themselves,
- iii. Identify deficiencies and weaknesses issued from the review of project/program technical progress reports (relating to pace of implementation, cost, adherence to technical specifications and similar) and make recommendations for improvement and,
- iv. Include reactions/comments from management on the recommendations and weaknesses noted by the practitioner. Expenditures that are considered either ineligible paid out of the special account(s) or which have been claimed from the Bank will be mentioned in the Management Letter based on their materiality.

VIII. REVIEW OF THE PRACTITIONER'S REPORT

- 8.1 The Bank shall follow internal review processes and undertake a comprehensive review of the practitioner's and provide feedback to the Borrower with appropriate recommendations including acceptability or otherwise of the report;
- 8.2 In the case of the review carried out by a private practitioner, payment of the practitioner's fees shall be upon review and clearance of the report by the Bank;
- 8.3 The Bank reserves the right to request and review the practitioner's working papers and any other information related to the work done by the practitioner;

IX. GENERAL INFORMATION

- 9.1 The review report should be received by the Executing Agency no later than on the date agreed in the relevant review contract, to enable submission of the review report to the Bank within the timelines stipulated in the legal agreement;
- 9.2 The practitioner should be given access to all legal documents, correspondence and any other information associated with the project/program as deemed necessary by them. Confirmation of amounts disbursed and outstanding at the Bank should also be obtained. The project/program task manager at the Bank can assist in obtaining these confirmations.
- 9.3 The practitioners should be given access to all technical documents and reports relating to project/program implementation.
- 9.4 It is recommended that the practitioners become familiar with the following documents that may have been prepared by the Bank:

- (a) General Conditions Applicable to Grant Agreements;
- (b) Grant Agreement;
- (c) Project/program Appraisal Report;
- (d) Financial Management Manual
- (e) SOEs used to request/justify the replenishment of the special accounts
- (f) Disbursement Handbook;
- (g) Procurement rules and procedures for works, goods and services;
- (h) Technical studies made for project/program implementation;
- (i) Technical progress reports.

X. PRACTITIONER EXPERIENCE AND QUALIFICATIONS

- 10.1 The practitioner should be registered and have a license from a national or regional professional Accountancy Body. He/She should have relevant experience in accounting and auditing of development project/programs, especially donor-funded operations.
- 10.2 The review team will comprise, at least:
- (a) A team leader, professional accountant (ACCA, CA, CPA, Expert compatible) with minimum of 10 years post-qualification experience including auditing of multilateral donor-funded projects/programs and appreciation of project/program realization reports; and
 - (b) Assistant(s) with 5 years field auditing experience including audit of multilateral donor-funded projects/programs.