

TERMS OF REFERENCE - EXTERNAL AUDITOR

1. PROJECT BACKGROUND:

The Government of the Gambia (GOTG) has received financing from the World Bank (IDA Grant D3090 and Grant D6530), European Union (EU) and European Investment Bank (EIB) ,towards the implementation of the Gambia Electricity Restoration and Modernization Project (GERMP) and intends to recruit an audit firm for the audit of the financial statements.

The Project Development Objectives are to improve the operational performance of the utility, and its capacity to dispatch variable renewable electricity.

The Gambia Electricity Restoration and Modernization Project (GERMP) is designed to support the implementation of immediate priority investments to restore the delivery of electricity services in targeted municipal and regional areas and complement fiscal stabilization efforts. The operation will improve the operational performance of the utility through improving the electricity supply and supporting the turnaround of NAWEC, and its capacity to dispatch variable renewable electricity. In this way, the project partly addresses the aspirations of the population for better public services.

The project comprises of the following components:

Project Components

There are four components to the project: (1) on-grid solar PV; (2) T&D restoration and modernization; and (3) urgent institutional support for sector turnaround and (4) urgent actions to address the water crisis.

COMPONENT 1: ON-GRID SOLAR PV WITH STORAGE

This component will finance a greenfield 20 MWp solar PV plant, with battery electricity storage system (BESS) to adapt output to demand profile and minimize grid absorption concerns within the Greater Banjul Area

COMPONENT 2: T&D RESTORATION AND MODERNIZATION

This component will finance T&D upgrades necessary (i) to absorb the additional generation capacity; (ii) to prepare for future capacity expansion including OMVG and other pipeline projects

2.1 New Kotu-Brikama line: this sub-component will finance a new 225kV transmission line between the two main power plants in the GBA in phases. Phase 1 will cover Brikama to Jabang with a substation in Jabang and Phase 2 will be Jabang to Kotu.

2.2 Improved Service Quality. This sub-component will finance a new integrated dispatch centre with SCADA to track and improve the overall quality of supply

2.3 Distribution Backbone in the Provinces. The sub-component will finance the interconnection of the existing isolated MV networks.

2.4 Customer Connections, Demand Side Management (DSM), and Loss Reduction Activities

COMPONENT 3: INSTITUTIONAL STRENGTHENING AND PROJECT IMPLEMENTATION SUPPORT

This component will finance key activities related to urgent activities to restore the sector, the improved operational performance of NAWEC, and project implementation support

3.1 NAWEC Turnaround. The GERMP will finance various activities designed to support the turnaround of NAWEC's operational performance, such as: a **NAWEC Service Contractor**

New IT system for NAWEC: The IT system will streamline NAWEC's operations, integrating all the processes into one single system. It will also improve the internal and external reporting for NAWEC management and decision making.

Communication and citizen engagement campaigns regarding the power crisis in The Gambia

Capacity building activities for NAWEC technical management and staff.

3.2 Strategic support for the energy sector

Activities included in this sub-component include:

- **Owner's Engineer to assist NAWEC in project implementation.** The project will finance an owner's engineer to supervise the execution of Components 1 and 2. The owner's engineer will also provide procurement assistance to the Project Implementation Unit (PIU)

3.3 - Project Preparation and Implementation Support such as Environment and Social Management Plan (ESMP), etc.

- **PIU costs** including additional capacity building activities such as intensive training sources and south-south learning on safeguards and procurement, consultants to assist at critical parts of project implementation, a project vehicle and IT equipment for the PIU.

- **Key studies for project preparation** including preparation of feasibility studies and tendering documents.

- **Preparation of safeguards instruments** such as the Environmental and Social Management Framework (ESMF) and Resettlement Policy Framework (RPF) financed through the GERMP PPF, and any Environment and Social Management Plan (ESMP) documents, and Resettlement Action Plan (RAP) documents that are subsequently required.

- **Implementation of safeguards instruments**, including the actions identified in the ESMF and RPF excluding compensation, which will be financed through Counterpart Financing. The estimated cost of compensation is \$1.5 million, to be confirmed during the preparation of the RAPs. This component will also support the creation of a functional Grievance Redress Mechanism (GRM).

Component 4: Short-term investments to address the water crisis (US\$13.65 million):

4.1 Supporting NAWEC to develop a NRW reduction plan (US\$6.83 million): This would entail a technical assistance firm to develop and implement a NRW plan, including developing hydraulic zones; developing an active leakage detection program; installing bulk meters (85 percent of the bulk meters need to be replaced); purchasing and installing automatic meter reading (AMR) enabled retail meters (approximately 20,000) to replace faulty or outdated meters; piloting pre-paid meters for administrative and commercial customers; and reducing the backlog of customers awaiting a connection (2,000 customers have paid but not yet received metered connections). NAWEC also needs equipment and spare parts materials for water distribution network maintenance.

4.2 New connections (US\$3.825 million): The AF will finance about 5,000 new household connections to extend NAWEC's customer base. This activity will entail minor works to connect households to the main distribution line, including installing UPVC and PEHD pipes, as well as small pipes and fittings through a distance of approximately 5 meters on average from household to the tertiary network. In addition, the newly connected households will be fitted with AMR enabled retail meters, which should improve the efficiency of meter readings as currently NAWEC lacks the human and technical resources to ensure timely and accurate readings (e.g. three meter readers per sector serving thousands of customers).

4.3 Rehabilitation of water storage tanks (US\$ 1.65 million): This activity will rehabilitate 2 storage tanks in Greater Banjul in order to improve NAWEC's water storage capacity. The tanks are built of steel and are starting to show signs of deterioration, mainly the leaking of inside linings, which can render the drinking water toxic. In addition, the poor condition of the tanks forces the pumping systems to work outside of the nominal operating points, thus decreasing the efficiency of pumps and increasing the energy consumption

2. OBJECTIVE OF THE AUDIT

2.1 The objective of the audit of the Project financial statements (PFSs) is to enable the auditors to express an independent professional opinion on the financial position of the Project as at the end of each fiscal year; and of the income and expenditure for the accounting period ending on that end. The project's books of account provide the basis for preparation of the financial statements and are established to reflect the financial transactions in respect of the project.

3. RESPONSIBILITY FOR PREPARATION OF FINANCIAL STATEMENTS

The project's management is responsible for the preparation of financial statements, including the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, the safeguarding of the assets of the project, and adequate disclosure. As part of the audit process, the auditor will request from management written confirmation concerning representations made to us in connection with the audit.

4. SCOPE OF THE AUDIT

The audit will be conducted in accordance with [International Standards on Auditing](#). Those Standards require that the auditor plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

5. In complying with International Standards on Auditing, the auditor is expected to pay particular attention to the following matters, including special considerations for public sector entities:

- (a) In planning and performing the audit to reduce audit risk to an acceptably low level, the auditor should consider the risks of material misstatements in the financial statements due to fraud, as required by International Standard on Auditing 240.
- (b) When designing and performing audit procedures and in evaluating and reporting the results thereof, the auditor should recognize that noncompliance by the entity with laws and regulations may materially affect the financial statements, as required by International Standard on Auditing 250.
- (c) The auditor should communicate audit matters of governance interest arising from the audit of financial statements to those charged with governance of an entity, as required by International Standard on Auditing 260.
- (d) The auditor should appropriately communicate to those charged with governance and to management any deficiencies in internal control that the auditor has identified in an audit of financial statements, as required by International Standard on Auditing 265.
- (e) To reduce audit risk to an acceptably low level, the auditor should determine overall responses to assessed risks at the financial statement level, and should design and perform further audit procedures to respond to assessed risks at the assertion level, as required by International Standard on Auditing 330.
- (f) When certain aspects of an entity's operations are performed by a third-party service provider, the auditor is expected to include an understanding and assessment of the internal control environment of the service provider during the audit process, as required by International Standard on Auditing 402.

- (g) As part of the audit process, the auditor is expected to obtain written representations from management and, where appropriate, those charged with governance, as required by International Standard on Auditing 580.
- (h) When the external auditor decides to use the work of an entity's internal audit function to modify the nature or timing, or reduce the extent, of audit procedures to be performed directly by the external auditor, the determination shall be in accordance with International Standard on Auditing 610.
- (i) In determining whether to use the work of an auditor's expert or the extent to which the work of an auditor's expert is adequate for audit purposes, the determination shall be made in accordance with International Standard on Auditing 620.

6. In evidencing compliance with agreed project financing arrangements, the auditor is expected to carry out tests to confirm that:

- (a) All external funds have been 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. Relevant financing agreements include [*Loan/Credit Agreements*].
- (b) Counterpart funds have been provided and used in accordance with the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided.
- (c) Goods, works, and services financed have been procured in accordance with relevant financing agreements,¹ including specific provisions of the [World Bank Procurement Framework](#).
- (d) All necessary supporting documents, records, and accounts have been maintained in respect of all project activities, including expenditures reported using Statements of Expenditure (SOE) or Interim Unaudited Financial Statements (IFS) methods of reporting. The auditor is expected to verify that respective reports issued during the period were in agreement with the underlying books of account.

7. *Project financial statements*

The auditor should verify that the financial statements have been prepared in accordance with Generally Accepted Accounting Standards and on a **cash basis**. The financial statements should include:

- (a) *A summary of funds received from the World Bank, other financiers and counterpart contributions from the borrower, all presented separately.*
- (b) *A summary of expenditures paid, presented under project account headings and main categories of expenditures; and*
- (c) *Additional disclosures in explanatory notes, including details of statements of expenditures (SOE) supporting Withdrawal Applications submitted during the*

¹ Depending on the complexity of procurement activities, the auditor may consider involving technical experts during the audit engagement, in compliance with provisions of International Standard on Auditing 620. Consideration of using the work of experts should be brought to the early attention of the borrower and the World Bank for mutual agreement and appropriate guidance.

period, a reconciliation of movements on the Designated Account, and a statement of fund balances]
(d) *List of assets purchased with project's fund*

(e) A management assertion that project funds have been expended for the intended purposes

(f) When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements; and

(g) Notes, comprising a summary of significant accounting policies and other explanatory notes.

Review of Statements of Expenditure and Interim Unaudited Financial Statements

8. The auditor is required to audit all SOE/IFS submitted to the World Bank in support of requests for periodic replenishment of the project designated account(s). Expenditures should be examined for eligibility based on criteria defined in the terms of the financing agreement and detailed in the Project Appraisal Document. The auditor should report any ineligible expenditures identified as having been included in withdrawal applications and reimbursed.

Review of designated accounts

9. During the audit of the project financial statements, the auditor is required to review the activities of the project's designated account(s). Activities to be examined will include deposits received, payments made, interest earned, and reconciliation of period-end balances

10. Audit Reports

Audit opinion

- 10 The auditor will issue an audit opinion on the financial statements. The auditor's opinion shall be based on an evaluation of the conclusions drawn from the audit evidence obtained and shall be expressed clearly through a written report that also describes the basis for that opinion. The audit report shall be prepared in accordance with International Standard on Auditing 700.
11. A modified audit opinion shall be rendered in the financial statements when the auditor concludes, on the basis of the audit evidence obtained, that the financial statements as a whole are not free from material misstatement; or the auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement. Modified audit opinions shall be in accordance with International Standard on Auditing 705.
12. The auditor will include emphasis of matter paragraphs or other matter paragraphs in the audit opinion where the auditor, having formed an opinion on the financial statements, seeks to draw users' attention, when in the auditor's judgment it is necessary to do so, by way of clear additional communication in the auditor's report. The paragraphs will refer to either a matter that, although appropriately presented or

disclosed in the financial statements, is of such importance that it is fundamental to users' understanding of the financial statements; or as appropriate, any other matter that is relevant to users' understanding of the audit, the auditor's responsibilities, or the auditor's report. This form of opinion will be presented in accordance with International Standard on Auditing 706.

Other audit reports

13. In addition to the audit opinion, the auditor will also, either in the audit report or in the report to management:
 - a. provide comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;
 - b. identify specific deficiencies and areas of weakness in systems and controls and make recommendation for their improvement;
 - c. report on instances of noncompliance with the terms of the financial agreement(s);
 - d. quantify and report expenditures that are considered to be ineligible and either paid out of the designated account(s) or claimed from the World Bank;
 - e. communicate matters that have come to attention during the audit that might have a significant impact on the implementation of the project;
 - f. draw to the borrower's attention any other matters that the auditor considers pertinent; and
 - g. responses from management, including implemented and proposed remedial actions.
14. The auditor's opinion on the financial statements and management letter should be received by the Bank no later than *six* months after the end of each accounting period which represents June 30.

General

15. The auditor is entitled to unlimited access to all information and explanations considered necessary to facilitate the audit, including legal documents, project preparation and supervision reports, reports of reviews and investigations, correspondences, and credit account information. The auditor may also seek written confirmation of amounts disbursed and outstanding in the Bank records.
16. The auditor is encouraged to meet and discuss audit-related matters, including input to the audit plan, with the World Bank project task team.
17. It is highly desirable that the auditor reviews the Bank's financial reporting and auditing requirements contained in [OP 10.00 Investment Project Financing](#), [Bank Policy: Program for Results Financing](#), and [OP 8.60 Development Policy Lending](#). The auditor should also be familiar with the [Disbursement Guidelines for Investment Project Financing](#) (February 2017), the [Loan Handbook for World Bank Borrowers](#) (February 2017), and the [World Bank's Procurement Framework](#) (July 2016).

11. DURATION OF THE ENGAGEMENT AND PRICING OF THE SERVICES

The total audit engagement is for a period of 3years to review the accounts for the following accounting period:

First period will be from period ending December 2022, then December 2023 and December 2024.

The Client will pay to the Consultant in accordance with the following schedule:

1st payment: 50% of the Contract amount upon delivery of draft Audit report and draft Management Letter for the accounting Period.
Final payment: 50% of the Contract amount upon delivery of the Final Audit Report and Final Management Letter for the accounting Period.

12. Team composition and Qualification requirements for the Key experts

Expert Position/expertise

Qualification and experience of key personnel

1. Audit Partner.

Chartered Accountant or compatible certification with a minimum of 12 years of post-qualification experience as a practicing Chartered Accountant and at least 8 years experiences in auditing World Bank or other development partners projects.

2. Audit Manager

Minimum of 8 years of post-qualification experience as a Chartered Accountant and at least 5 years experiences in auditing World Bank or other development partners projects.

3. Senior Auditor

Minimum of 5 years of post-qualification experience as a Chartered Accountant and at least 3 years experiences in auditing World Bank or other development partners projects.

4. Junior Auditor

Minimum of 3 years of post-qualification experience as a Chartered Accountant and at least 2 years experiences in auditing World Bank or other development partner projects.

5. Procurement Specialist.

Minimum of 10 years' experience in the World Bank procurement is required, including procurement of consulting services, goods, and works/Plant. Procurement specialist, as a minimum, shall have Master's degree in procurement, business or public administration, or other relevant field.

13. Level of Effort

It is expected that about 80 person-days will be required over the contract implementation. It is envisaged that services of specific experts will be provided intermittently. The table below shows the indicative positions and their estimated staff-months.

Position

Staff-days

Audit Partner

3

Audit Manager

6

Senior Auditor

13

Junior Auditor

18

Procurement Specialist

10

Total
50

Note to Consultants: The above presentation of staff-days and specific positions is indicative only; consultants are at liberty to propose their own calculations, provided that the required areas of expertise are adequately covered.

14. Reports and Schedule of Deliveries

The key specific outputs and reports are as follows for each accounting Period.

Deliverable Not later than:

Draft Audit Report

1 month after the invitation from the project to start the audit.

Draft Management Letter

1 month after the invitation from the project to start the audit.

Final Audit Report

1 week after receiving Client's comments on the Draft Audit Report

Management Letter

1 week after receiving Client's comments on the Draft Management Letter

All reports and deliverables will have to be submitted in 5 copies, and also electronically.

15. Data, local services, personnel, and facilities to be provided by NAWEC

NAWEC will provide, free of charge, the following:

- Data and information in connection with the project.
- Counterpart staff necessary for implementing the assignment.
- NAWEC will arrange/facilitate meeting/visits with other governmental agencies, authorities and offices as needed for implementing the services

16. Equipment to be provided by Consultants

Consultants' staff shall use its own computers, notebooks, and cellular phones.

Consultants will be responsible for their transportation arrangements and office arrangements for their team, including space, furniture and telecommunication.

17. Awarding of Contract

The contract shall be awarded to an audit firm based on the received offer, profile, qualifications and experience of the firm, and availability within the tight schedule set.