



TERMS OF REFERENCE

Regional Off-Grid Electrification Project

Audit for the Advance Agreement for Preparation of Proposed Regional Off-Grid Electrification Project and First Implementation Year

REPUBLIC OF BENIN, REPUBLIC OF CABO VERDE, BURKINA FASO, CAMEROON, CENTRAL AFRICA REPUBLIC, REPUBLIC OF CHAD, REPUBLIC OF CÔTE D'IVOIRE, ISLAMIC REPUBLIC OF THE GAMBIA, REPUBLIC OF GHANA, REPUBLIC OF GUINEA, GUINEA-BISSAU, REPUBLIC OF LIBERIA, REPUBLIC OF MALI, ISLAMIC REPUBLIC OF MAURITANIA, REPUBLIC OF NIGER, NIGERIA, REPUBLIC OF SENEGAL, REPUBLIC OF SIERRA LEONE AND REPUBLIC OF TOGO

I. CONTEXT

Around 50 percent of population in the broader West African region including Sahel still lives on less than US\$2/day¹. Although there is some contrast between countries such as Liberia, Guinea-Bissau and Central African Republic where over 65 percent of population lives below US\$1.90/day compared to Mauritania with 11 percent – the general trend is grim with over 70 percent of this region's population living below US\$3.10/day. This region is also home to around 33 percent of the continent's population with around 17 percent of the land area. The region accounted for 28 percent of Africa's GDP in 2015.

Countries in the broader western African region including the Sahel face interrelated challenges of energy access, energy security and climate change mitigation² simultaneously. Electricity shortages in urban areas and lack of access to modern, affordable and reliable energy services in rural areas are interrelated with a variety of economic, social, environmental and political problems. The electricity systems in the region face challenges due to the growing gap between predicted demand, existing supply capacities and limited capital to invest. Less than 40 percent of the population in the Sahel and broader western African region has access to electricity. Significant energy access inequalities exist between urban and rural areas. Electrification rate of public institutions like schools and health centers also remain very low.

Energy is considered a key factor in achieving sustainable development and poverty reduction in the region. Most client governments, donor governments and international organizations have recognized the importance of integrating renewable energy into development policies to promote sustainable development. Under the Multi-Tier Framework (MTF)³ of measuring energy access general solar home systems can meet the Tier 1 to 3 level of energy access, which is the typical consumption pattern of

¹ The World Bank defines extreme poverty as living on less than US\$1.25 per day, and moderate poverty as less than \$2 a day

² Source: ECOWAS program on access to sustainable electricity services (EPASES) 2015-2020 in rural and peri-urban areas

³ Multi-Tier Framework for Measuring Energy Access (MTF) redefines energy access from the traditional binary count to a multi-dimensional definition as "the ability to avail energy that is adequate, available when needed, reliable, of good quality, convenient, affordable, legal, healthy and safe for all required energy services". That is, having an electricity connection does not necessarily mean having access to electricity under the new definition, which also takes into account other aspects, as for example reliability and affordability. Energy access is measured in the tiered-spectrum, from Tier 0 (no access) to Tier 5 (the highest level of access)

households in Sub-Saharan Africa. Specially designed PV systems for commercial and institutional use can provide higher level of access. Off-grid solar meets consumers' energy needs more readily and represents an important first step on the energy access ladder.

Several broader West African countries including the Sahel countries are already tackling the issue of off-grid electrification to some degree in a wide variety of approaches such as concessions, franchising, Rural Electrification Agencies (REAs), Rural Electrification Funds (REFs), fee for service approaches, leasing, etc. On one hand countries like Senegal and Mali are example countries that have adopted private concessions to scale up mini-grids in rural areas. On the other hand, countries such as Nigeria and Ghana have achieved good results for rural electrification based on a government investment approach.

There are advantages and disadvantages to each approach, and each may be better suited to one country or another depending on the institutional and legal situation of the country concerned. There are also a number of successful rural electrification programs in the region, such as the Ghana Electrification Scheme (2006-2020), or the initiatives of AMADER in Mali and ASER in Senegal. Several donors are interested in working in the region and are carrying out and planning several initiatives.

The Sustainable Energy for All (SE4ALL) Action Agenda is supported in the broader western African region including the Sahel through ECOWAS. To provide universal access to electricity by 2030, ECOWAS has adopted an ECOWAS Renewable Energy Policy (EREP). The EREP was conceived to respond to the severe energy crisis in the member countries by exploring the vast renewable energy generation potential that exists in the region through the participation of private sector. This Policy was adopted by the 43rd Ordinary Session of the ECOWAS Authority of Heads of State and Government, which was held in Abuja, Nigeria, from 17 to 18 July, 2013. The policy also aims to assist the ECOWAS member states to develop appropriate regulatory frameworks for the promotion of renewable energy technologies and services, thus reinforcing regional integration in the renewable energy sector. ECREEE has also assisted Sahel states such as Mauritania and Chad in activities related to energy access. Furthermore, with the support of the ECOWAS Centre for Renewable Energy and Energy Efficiency (ECEEE), ECOWAS member states already developed national renewable energy action plans, SE4ALL Action Agendas and investment prospectus policies and strategies.

In this context ECREEE, with the support of the World Bank, is launching a Regional Off-grid Electrification Project (ROGEP) focused on enhancing shared capacity, institutions and knowledge, and to jointly increase electricity access to households, businesses and communities using modern off-grid electrification technologies in project countries.

- The program aims to complement the multiple existing initiatives.
- The technologies that will be supported by the program are pico solar (lanterns, chargers, etc.), solar home systems, and standalone solar systems, to electrify public facilities such as health centers, schools, police offices, etc. including small business and solar water pumps.
- The countries covered will be all 15 members of ECOWAS plus Cameroon, Central Africa Republic, Chad, and Mauritania.

The proposed project will comprise the following components and sub-components:

- **Component 1 – Develop a Regional Market:**
- **Subcomponent 1 A: Enabling Environment.** 35. The objective of this subcomponent is to transfer and share knowledge of technological innovations and new

business models across the region, in a harmonized manner, which will serve to improve the enabling environment for stand-alone SHS in the region. Success stories of one country will be used to motivate others to adopt new policies and change mindsets

Subcomponent 1 B: Entrepreneurship Support The technical support will seek to enhance the capacity, skills, and expertise of eligible businesses. This subcomponent will also remove information and knowledge barriers to attract new players to the stand-alone solar system market. The entrepreneurship technical support facility will be coordinated with the ECOWAS certification scheme for PV installers/technicians and will be framed within the ECREEE private sector support facility that ECREEE has successfully operated since 2015.

- **Subcomponent 1 C: Entrepreneurship Financial Support.** Matching grants will be offered to startup-up ('Stage 1') businesses to support entry of new solar businesses. This funding would be up to US\$25,000 to assist these entrepreneurs to developing their ideas into viable businesses or developing and test marketing their products. Each business receiving a grant would be required to provide some level of matching cash contribution to demonstrate their own commitment to the proposal.
 - **Subcomponent 1 D: Barrier Removal for Challenging Markets.** Targeted financial incentives will be provided to entrepreneurs and businesses operating in challenging markets, such as countries in the Sahel region. Left alone to commercial incentives, solar businesses will tend to operate solely in vibrant economies and ignore challenging markets. To ensure equitable geographical reach, solar businesses operating in challenging markets will receive grant funding support under this subcomponent.
 - **Component 2 - Access to Finance for Stand-alone Solar System Businesses:**
 - **Subcomponent 2 A Line of Credit for Stand-alone Solar Businesses:** 42. This subcomponent will facilitate access to debt financing in support of the stand-alone solar systems market. This subcomponent will support (a) solar equipment distributors supplying stand-alone solar products to households and productive end users, (b) households and productive end users of solar equipment, and (c) energy service companies electrifying public institutions, such as schools and health centers. Women entrepreneurs will have an equal level of access to financing
 - **Subcomponent 2 B Contingent Grant Facility for CFIs:** The contingent grant facility will provide comfort to the CFIs to lend to businesses providing innovative solar technologies following disruptive business models. The businesses promoting stand-alone solar systems do not have a track record and hence are affected by the perception that they have higher risk.
- The ECOWAS Centre for Renewable Energy and Energy Efficiency (ECREEE) is seeking an audit firm to proceed with the audit services for the:
- a) Advance Agreement for Preparation of Proposed Regional Off-Grid Electrification Project
 - b) First implementation year of Regional Off-Grid Electrification Project

The audit covers the preparatory phase starting from 1st July 2017 to 16th April 2019 and the implementation starting 17th April to December 31, 2019.

The responsibility for the preparation of financial statements including adequate disclosure is that of the ECREEE. The agency is also responsible for the selection and application of accounting policies. The agency would prepare the Project Financial Statement (PFS) in accordance with the "Financial Regulations of the Institutions of the Economic Community of West African states (ECOWAS)" and the relevant World Bank guidelines.

The auditor is responsible for forming and expressing opinions on the financial statements. The auditor would carry out the audit of the project in accordance with the International Standards on Auditing (ISA), as promulgated by the International Federation of Accountants (IFAC). As part of the audit process, the auditor may request from the implementing agency written confirmation concerning representations made in connection with the audit.

II. OBJECTIVE AND SCOPE OF THE WORK

The objective of the audit of the project financial statements is to enable the auditor to express a professional opinion on the project's financial position as at the end of fiscal year and of the income and expenditure for the accounting period ending on that date. 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.

III. RESPONSIBILITY FOR PREPARATION OF FINANCIAL STATEMENTS

The project's management (or Project Coordination Unit) 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 them in connection with the audit.

IV. SCOPE

The audit will be conducted in accordance with International Standards on Auditing (ISA). 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.

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.

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

- (a) World Bank financing has been used in accordance with the conditions of the advance agreement dated 4th April 2017, with due attention to economy and efficiency, and only for the purposes for which the financing was provided.
- (b) World Bank financing has been used in accordance with the conditions of the implementation project agreement dated xth 2019, with due attention to economy and efficiency, and only for the purposes for which the financing was provided
- (c) 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.
- (d) Goods, works, and services financed have been procured in accordance with relevant financing agreements,⁴ including specific provisions of the World Bank Procurement Framework.
- (e) 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.
- (f) Designated Account have been maintained in accordance with the provisions of the relevant financing agreements and funds disbursed out of the Account were used only for the purpose intended in the financing agreement;

⁴ 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 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.

- (g) 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 used;
- (h) Financial performance of the project is satisfactory.
- (i) Assets procured from project funds exist and there is verifiable ownership by the implementing agency or beneficiaries in line with the financing agreement.
- (j) Ineligible expenditures included in withdrawal applications are identified and reimbursed to the Designated Accounts. These should be separately noted in the audit report.

V. PROJECT FINANCIAL STATEMENTS (PFSs)

The auditor should verify that the financial statements have been prepared in accordance with the agreed accounting standards and give a true and fair view of the financial position of the project at the relevant date and of resources and expenditures for the financial audit period ending on the [*audit reference date*].

The financial statements should include:

- (a) A statement of financial position;
- (b) A statement of financial performance;
- (c) A statement of changes in net assets/equity;
- (d) A cash flow statement;
- (e) 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
- (f) A list of material assets acquired or procured to date with project funds.
- (g) Notes, comprising a summary of significant accounting policies and other explanatory notes.

VI. REVIEW OF STATEMENTS OF EXPENDITURE AND INTERIM UNAUDITED FINANCIAL STATEMENTS

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.

VII. REVIEW OF DESIGNATED ACCOUNTS

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.

The Designated Account usually comprises:

- Advance deposits received from World Bank;
- Replenishments substantiated by withdrawal applications;
- Interest that may have been earned on the accounts, and which belong to the recipient; and
- Withdrawals related to project expenditures

The auditor should examine the eligibility of financial transactions during the period under examination and fund balances at the end of such a period, the operation and use of the Designated Account in accordance with the relevant general conditions, relevant financing agreements 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 and Disbursement Letter and *****.

The auditor should also examine eligibility and correctness of:

- Financial transactions during the period under review;
- Account balances at the end of such a period;
- The operation and use of the Designated Account in accordance with the financing agreement; and
- The adequacy of internal controls for the type of disbursement mechanism.

VIII. METHODOLOGY

The detailed methodology for this assignment will be developed and included in the technical proposal submitted by the consultant.

IX. DELIVERABLES, TIMELINE AND PAYMENT SCHEDULE

The working language and the report shall be English.

The auditor will have to provide **an** Audit Report / a concise report which will be subject to approval and acceptance by the Project and World Bank Project.

The Auditor must submit one hard copy and one electronic copy (in pdf format) of final audit report and the management letter to the Project Coordination Unit and to the World Bank.

If the World Bank or the Project Coordination Unit do not accept the reports because of deficiencies in the work, the Auditor must perform any additional audit work requested at no additional cost to the Project, or the World Bank.

activity	Deliverable	Timeline from contract effectiveness	Payment
Advance Agreement for Preparation of Proposed Regional Off-Grid Electrification Project and	Preliminary report	Completion of field work	20%
		3 weeks after reception of the corrected financial information	50%
	Final report	3 weeks after reception of the	30%

First implementation year of Regional Off-Grid Electrification Project		Preliminary Report's approval	
--	--	-------------------------------	--

X. AUDIT REPORTS

▪ Audit opinion

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.

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.

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

In addition to the audit opinion, the auditor will also, either in the audit report or in the report to management:

- (h) provide comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;
- (i) identify specific deficiencies and areas of weakness in systems and controls and make recommendation for their improvement;
- (j) report on instances of noncompliance with the terms of the financial agreement(s);
- (k) 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;
- (l) communicate matters that have come to attention during the audit that might have a significant impact on the implementation of the project;
- (m) draw to the borrower's attention any other matters that the auditor considers pertinent; and
- (n) responses from management, including implemented and proposed remedial actions.

Ideally, the management letter should also include responses from the implementing agency to the issues highlighted by the auditor.

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 [*the audit reference date*].

XI. AVAILABLE INFORMATION

The auditor should have access to all legal documents, correspondences, and any other information associated with the project and deemed necessary by the auditor. The auditor will also obtain confirmation of amounts disbursed and outstanding at the Bank. Available information should include copies of the relevant: project appraisal document; financing agreement; financial management assessment reports; supervision mission reports and implementation status reports.

XII. GENERAL

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.

The auditor is encouraged to meet and discuss audit-related matters, including input to the audit plan, with the World Bank project task team.

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).

XIII. QUALIFICATIONS

The consultant must be an independent Audit and Accounting Expertise Firm, doing the usual job of the accounts review, regularly registered in the Chartered Accountants Association recognized at the international level by IFAC or FIDEF, having a confirmed experience in financial audit of development projects and acceptable by the IDA.

Interested consultant firms should clearly demonstrate their experience in:

- (i) General experience in financial and accounting audits;
- (ii) Specific experience in World Bank project audits, similar to the ones required to Regional Off Grid Electrification project;
- (iii) Experience with audits in ECOWAS member states or experience in audits of International Organizations
- (iv) Firm structure, i.e. human resources adequacy to perform the tasks.

While the consultancy firm has the responsibility of proposing the team composition, the tasks in the assignment will require the involvement of at least:

1. 1 (one) Certified Public Accountant partner responsible of the mission having at least 15 years' experience in financial audit and having good knowledge of the procedures of fiduciary management and audit of projects funded by the World Bank,
2. 1 (one) Head of mission having at least a Degree level BAC+5 or more in auditing, accounting and possessing at least 10 years' experience in financial audit,

3. 2 (two) junior auditors having at least a Degree level BAC+5 or more in auditing, accounting and possessing at least 3 years' experience in financial audit;
4. 1 (one) procurement specialist possessing at least 5 years' experience in procurement.

Consultancy firms are strongly encouraged to tap into locally-based expertise, as appropriate, to contribute to enhancing local capacities and to facilitate the implementation of follow-up activities. The CVs of proposed staff should clearly demonstrate the relevant experience of each team member by task assigned.