

TERMS OF REFERENCE

EXTERNAL AUDIT OF A PROJECT FUNDED BY THE AUSTRIAN DEVELOPMENT AGENCY (ADA)

1. CONTEXT

- 1.1. The Austrian Development Agency (ADA) has been supporting the ECOWAS Centre for Renewable Energy and Energy Efficiency (ECREEE) since its inception, as part of its sustainable development initiatives in West Africa. On 20 November 2023, funding of EUR 303 000 was approved to support Phase I of the Circular Economy Pilot Project through the Water-Energy-Food Nexus. This first phase aimed to carry out a scoping exercise to establish a baseline for future interventions.
- 1.2. The project aimed to identify the most promising sectors, estimate potential energy savings, assess socio-economic impacts and determine the main beneficiaries. These activities informed the subsequent phases and the development of the full project proposal.

2. OBJECTIVE OF THE AUDIT

- 2.1. The objective of the audit of the project financial statements (PFS) is to enable the auditors to express an independent professional opinion on the financial position of the project as at October 31, 2025; and to ensure that the funds granted to the project have been used for their intended purposes.
- 2.2. The project books and records serve as the basis for the preparation of the PFS by the project implementation unit (PIU) and are prepared to reflect the financial transactions related to the project. The PIU maintains adequate internal controls and supporting documentation for transactions.

3. RESPONSIBILITY FOR THE PREPARATION OF FINANCIAL STATEMENTS

- 3.1. Responsibility for the preparation of the Project Financial Statements (PFS) lies with the Project Implementation Unit (PIU). The PIU is also responsible for:
 - a. The selection and application of accounting policies. The PIU has prepared the PFS in accordance with the International Public Sector Accounting Standards (IPSAS), in all material respects; and
 - b. Implement accounting, administrative and financial procedures documented in the ECOWAS Financial Regulation and the Manual of Accounting Procedures.



3.2. Auditors are responsible for forming an opinion on PFSs based on their audit carried out in accordance with the International Standards on Auditing (ISAs) issued by IFAC (International Federation of Accountants) or ISSAI (International Standards for Supreme Audit Institutions) issued by INTOSAI. National auditing standards that are consistent with ISA or ISSAI in all material respects will also be accepted.

4. SCOPE OF THE AUDIT

4.1. The audit will be carried out in accordance with the standards specified in section 3.2 above and will include such tests and verification procedures as the auditors deem necessary in the circumstances. When conducting the audit, special attention should be paid to the following:

- a. All ADA funds have been used in accordance with the terms of the grant agreement, with due regard to economy and efficiency and only for the purposes for which the funds were provided;
- b. The goods, works and services financed were acquired in accordance with the grant agreement and in accordance with ECOWAS's rules and procedures; and have been correctly accounted for;
- c. Appropriate supporting documentation, records and books of account for all project activities have been retained. There must be clear links between the books of account and the financial statements submitted to ADA;
- d. The financial statements have been prepared by project management in accordance with the applicable accounting standards referred to (ref. section 3 above) and present fairly the financial position of the project at year-end and its financial position. project and are used for the intended purpose;
- e. The fixed assets of the project are real and properly valued and the ownership rights of the project or the rights of the beneficiaries relating thereto are established in accordance with the terms of the grant;
- f. Ineligible expenditure identified during the audit will be reflected in a separate paragraph of the audit report and, if material, the point should be reflected in the auditors' opinion.

4.2. In accordance with international auditing standards, auditors should pay attention to the following:

- a. **Fraud and corruption:** In accordance with ISA 240 (Auditor's Responsibilities for Fraud in an Audit of Financial Statements), auditors must identify and assess fraud-related risks, obtain or provide sufficient evidence of the analysis of these risks, and properly assess identified or suspected risks;
- b. **Laws and regulations:** When preparing the audit approach and performing audit procedures, auditors should assess the compliance **of the PIU** with the provisions of laws and regulations that may have a material impact on PFSs, as required by ISA 250 (Considerations on Laws and Regulations in an Audit of Financial Statements);



- c. **Governance:** Communicating with **the PIU's** Management responsible for governance regarding significant audit matters related to governance in accordance with ISA 260: (Communication with Governance Executives); and
- d. **Risks:** In order to reduce audit risks to a relatively low level, auditors will apply appropriate audit procedures and address the anomalies/risks identified during their assessment. This is in line with ISA 330 (Auditor Responses to Assessed Risks).

5. PROJECT FINANCIAL STATEMENTS

- 5.1 The auditors will ensure that the PFS are prepared in accordance with the standards mentioned above (ref. section 3 above) and will give a true and fair view of the project's financial position at the end of the financial year and its income and expenditure for the year then ended.
- 5.2 The project financial statements prepared by project management must include:
- a. Statement of income (funds received from ADA, counterpart financing and, where applicable, financing of co-financiers),
 - b. Statement of Expenditure (expenditure incurred for the current year and accumulated to date) showing separately the financing of ADA, that of the counterparty and co-financiers where applicable and the cash balances;
 - c. Statement of Operations (Showing excess or deficit of Income over Expenditure.);
 - d. Budget Implementation Report, including variance analysis;
 - e. Notes to the financial statements describing the applicable accounting principles in place and a detailed discussion of the main accounts.

6. STATEMENT OF EXPENSES

- 6.1. In conjunction with the audit of PFSs, auditors must:
- a. Audit all Expense Statements (SOEs) used as a basis for the submission of withdrawal requests to ADA by the project;
 - b. Determine the eligibility of expenses in accordance with the grant agreement and evaluation report. Where ineligible expenses are identified as having been included in the withdrawal requests and reconstituted, these must be noted separately by the auditors; and
 - c. A slip containing the withdrawal requests submitted on the basis of the SOEs with their reference number and the amount concerned shall be attached to the PFS.

7. AUDIT REPORT

- 7.1. The audit report will include (i) the auditors' opinion on the project's financial statements and (ii) a complete set of project financial statements and other relevant statements, as mentioned in section 5.2 above.

7.2. All ineligible expenses will be disclosed in an appendix to the audit report.

8. MANAGEMENT LETTER

8.1. In addition to the audit report, the auditors will prepare a "management letter" in which it will be:

- a. Provide comments and observations on the accounting records, procedures, systems and controls that were examined during the audit;
- b. Identify specific gaps and weaknesses in systems and controls and make recommendations for improvement;
- c. Report on the degree of compliance with each of the financial clauses of the grant agreement and provide comments, as appropriate, on internal and external issues affecting such compliance;
- d. Report on the status of implementation of recommendations related to the previous period's audit reports;
- e. Communicate issues that were brought to their attention during the audit and that could have a significant impact on implementation;
- f. Eligibility and accuracy of financial transactions during the reporting period and account balance at the end of that reporting period;
- g. Adequacy of internal controls for this type of disbursement mechanism.

8.2.

- a. Initial deposit and subsequent replenishments received from ADA;
- b. Withdrawals related to project expenses;
- c. Interest that can be earned on the account balance; and
- d. The balance remaining at the end of the period.

9. GENERAL INFORMATION

9.1. The auditor must submit the audit report including the financial statements, the management letter including the responses of the PIU, the Management of ECREEE within 02 (two) weeks from the date of signature of the audit engagement letter. This is to aid compilation and onward submission to ADA before the 31st December 2025.

9.2. Auditors must have access to all legal documents; correspondence and any other information associated with the project that they deem necessary. Confirmation of the amounts disbursed and not repaid to ADA must also be obtained. The project manager at ADA can help to obtain these confirmations.

9.3. Auditors are advised to read the following documents, if any, prepared by ADA:



10. GENERAL TERMS AND CONDITIONS APPLICABLE TO LOAN, GUARANTEE AND GRANT AGREEMENTS

- a Grant Agreement and Letter of Extension
- b Project evaluation report;
- c ECOWAS Revised Financial Regulation, ECOWAS Manual of Accounting Procedures, ECOWAS Revised Staff Regulation etc;
- d Aide-memoire and official communications with ADA; and
- e ECOWAS Revised Procurement Code and procedures Manual for works, goods and services.

11. AUDITOR EXPERIENCE AND QUALIFICATIONS

11.1. The audit firm must be registered to operate in Cabo Verde (National Procurement Process) and licensed by a national or regional professional accounting body. The firm should have relevant experience in accounting and auditing development projects, particularly donor-funded operations. Experience with ADA Funded Grant will be an added advantage.

11.2. The key audit team will include at least:

- a An audit Team Lead with at least 10 years of experience in auditing and with good knowledge of donor-funded projects. In addition, he/she must be a member of a recognized professional accounting body;
- b A team member with at least a master's degree in auditing/accounting or equivalent with a minimum of 5 years of audit experience; and
- c An assistant auditor with adequate experience and professional qualifications.