



**GOVERNMENT OF ANTIGUA AND BARBUDA
DEPARTMENT OF ENVIRONMENT (DOE)**



Request for Proposals – External Auditor

Title	Terms of Reference for the External Auditor for the Department of Environment
Date of Issue	May 4 2017
Deadline	June 4 2017
Duration	This contract will be to provide Auditing Services for three years for the period 2017 – 2019 to audit financial Statements for 2016 - 2018.
Application contacts	<p>Please email:</p> <p style="text-align: center;">The Procurement Officer Department of the Environment</p> <p>Email: antiguaenvironmentdivision@gmail.com copied to diann.black-layne@ab.gov.ag, dcblack11@gmail.com</p> <p>The following Information :</p> <ul style="list-style-type: none">• Company information with CVs of Audit Team;• A Technical Proposal demonstrating the applicant’s interpretation of the scope of work indicating timelines.• A Financial Proposal for providing auditing services for the required time period.

Background:

The Department of Environment (DOE) and Government entity within the Ministry of Health and the Environment is Antigua and Barbuda's National Designated Authority (NDA) for the Green Climate Fund (GCF) and the National Implementing Entity (NIE) for the Adaptation Fund. As such, the DOE executes projects funded by the Global Environment Facility (GEF), Green Climate Fund (GCF), the Adaptation Fund (AF), and works with agencies such as the Organization of Eastern Caribbean States (OECS), the Caribbean Community Climate Change Centre (5Cs) and CARICOM. The DOE is projected to receive funding from the Government and from the sources listed above. These projects and programs reflect the full range of issues addressed under the Environment Protection and Management Act, 2015.

As part of our obligations to the donors and entities mentioned above, all of the DOE's accounts and procedures must be audited annually. Therefore, the DOE is seeking an Accounting firm to enter into a three year contract to carry out the audit of its accounts and procedures.

Responsibilities of the DOE within this arrangement:

The DOE is responsible for providing the External Auditor at the beginning of the assignment with the following:

- Consolidated Financial Statement
- Project Financial Statements
- Project Expenditures supported by vouchers and adequate documentation;
- Annual Work Programs showing deliverables;
- Internal Auditor Reports;
- Asset list;
- All other documents required;

Scope of Work:

The Auditor shall undertake this engagement in accordance with these Terms of Reference and in accordance with the International Standards on Audit (ISA) and the Financial Act and Regulations.

The Auditors are expected to carry out the following activities:

- Audit of Consolidated Financial Statements
- Audit of each Project Financial Statement
- Meet Audit requirements of each project according to the Project Cooperation Agreement (PCA) for type of project

Department of Antigua and Barbuda Audit Requirements

Description of Financial Reports to be audited

Project Financial Reports.

The Financial statement report is prepared by the Accounting Unit of the DOE. These financial statements **must** be certified by the auditors. Project financial statements, if certified, **must** reconcile to the expenditure appearing in the Financial Report and must be attached to the audit report.

Audit Services Required

The scope of the audit services required specifies the following:

- The audit will be carried out in accordance with ISA¹ auditing standards.
- The audit period is based on the calendar year unless otherwise stated for particular projects;
- The scope of the audit is limited to all projects funded by the government and international donors where funds are disbursed to the DOE;
- The auditor will verify the mathematical accuracy of the financial reports by ensuring that the expenditures described in the supporting documentations are reconciled by disbursing source;
- The auditor will state in the audit report if the audit was not in conformity with any of the above and indicate the alternative standards or procedures followed.

The auditor must sign, express an opinion, and quantify the net financial impact on each of the following:

(i) Financial Report as of 31 December. The auditor must clearly indicate in the audit report the net financial impact (NFI) for each award and, as applicable, the reasons for which they rendered an unfavorable audit opinion (qualified, adverse or disclaimer) and provide the amount of net financial impact. The issues and reasons for the qualification must also be raised by the auditor as an audit observation in the management letter.

(ii) Statement of cash position reported by the project as at 31 December (including petty cash). If the project does not maintain a separate bank account and does not maintain petty cash, an audit opinion would not be applicable. In this respect, the auditor is required to indicate this information on the opinion page of the audit report.

(iii) Statement of fixed assets held by the project as at 31 December: If the project does not hold any assets the auditor is required to indicate this information on the opinion page of the audit report.

¹ International Standards on Auditing (ISA) published by the International Auditing Practices Committee of the International Federation of Accountants

Note: Audit opinions must be one of the following: (a) unqualified, (b) qualified, (c) adverse, or (d) disclaimer. If the audit opinion is other than “unqualified”, the audit report must describe both the nature and amount of the possible effects on the financial statements (net financial impact). A definition of audit opinions is provided in the attached Annex 4.

The auditor must indicate the risks associated with their audit issues and provide a categorization by risk: High, Medium, or Low. Definitions of these categories are given in the attached Annex 5;

The auditor must provide a classification of possible causes of the audit findings. Definitions of these causes are given in Annex 6;

The auditor must sign the update of action plans for prior year audit recommendations

The auditor/audit firm will submit a draft audit report by 20 April and a final signed audit report with certified statements by 30 April.

Note: Audit opinions must be one of the following: (a) qualified (negative), (b), unqualified (favourable), (c) adverse (negative), or (d) disclaimer (negative). If the audit opinion is other than “unqualified” (favourable) the audit report **must** describe both the nature and amount of the possible effects on the financial statements. The report should also make a reference to the section of the management letter with regard to the action taken or planned to be taken to address the issues underlying the qualification. A definition of audit opinions is provided in Annex 4.

The Audit Report and Management Letter

The auditor shall submit the Audit report and management letters for each individual project;

a. Audit Report

The audit report should clearly indicate the auditor’s opinion (Refer to Annex 3 for a sample Audit Report). This would include at least the following:

- That it is a special purpose report and its intended use.
- The audit standards that were applied that comply with one of these in all material respects).
- The period covered by the opinion.
- The net financial impact of the qualification on the financial Statement where applicable.
- Whether the Statement of Expenditure is adequately and fairly presented. The disbursements made are in accordance with the purpose for which funds have been allocated to the projects;

- Whether the Statement of Fixed Assets is fairly and adequately presented as at 31 December; and
- Whether the Statement of Cash Position reported by the project is fairly and adequately presented;
- The list of observations and recommendations

b. Management Letter

The management letter should cover the following topics/issues:

- A general **review of project outputs per budget expenditure** as stated in the project document or Annual Work Program (AWP).
- An **assessment of the project's/DOE internal control system** with equal emphasis on (i) the effectiveness of the system in providing the project management with useful and timely information for the proper management of the project and (ii) the general effectiveness of the internal control system in protecting the assets and resources of the project.
- A description of any **specific internal control weaknesses** noted in the financial management of the project and the audit procedures followed to address or compensate for the weaknesses. Recommendations to resolve/eliminate the internal control weaknesses noted should be included.

The management letter should also include the following:

- The **categorization of audit findings by risk severity**: High, Medium, or Low. Definitions of these categories are given in Annex 5.
- Effective audit observations/recommendations.
- The **classification of possible causes of the audit findings**. Definitions of these causes are given in Annex 4.
- **Management comments/response** to audit findings and recommendations
- Optionally, comments as to whether recommendations made in the management letter for the previous audit were implemented and the implementation status. **Important note:** This is **not** a substitute for the submission to OAI of a ‘follow-up action plan/certified follow-up action plan’.

More detailed guidance for the above general categories is provided below.

Review of project progress

As part of the general review of project progress, specific steps could include the following:

- Review annual work plans, quarterly and annual financial reports, and requests for direct payments and assess in terms of their project Guide on Results Management.
- Review whether the decisions and/or recommendations of the above activities have been followed through by the DOE
- Review the pace of project progress and comment on the causes for delays.
- Comment on whether implementation services of the DOE were provided in line with project document or AWP.

Assessment of internal controls

The auditor is expected to conduct a general assessment of internal controls according to established internal control standards.

In addition to the above general assessment, additional specific steps could include the following:

- Review expenditures made by the executing agency and assess whether they are in accordance with project document, AWP and budgets;
- Review the process for procurement/contracting activities and assess whether it is consistent with the procurement policy;
- Review the use, control and disposal of non-expendable equipment and assess whether the equipment procured met the identified needs and whether its use was in line with intended purposes.
- Review the process for recruiting project personnel and consultants and assess whether it was transparent and competitive.
- Review the DOE accounting records and assess their adequacy for maintaining accurate and complete records of receipts and disbursements of cash; and for supporting the preparation of the quarterly financial report.
- Review the records of requests for direct payments and ensure that they were signed by authorized government officials.

Recommendations for improvement

Recommendations should be directed to the specific project being implemented in the DOE that should be shared with other project personnel.

Available Facilities and Right of Access

All financial records belonging to the projects Are within the DOE's office and are also kept in digital files. The auditor would have full and complete access at all times to all records and documents (including books of account, legal agreements, minutes of committee meetings, bank records, invoices and contracts etc.) and all employees of the

entity. The auditor has a right of access to banks, consultants, contractors and other persons or firms engaged by the project management.

Evaluation Criteria:

Table 1: The evaluation criteria and weightings that will be applied to this request for proposals are as follows:

Category	Description	Weighting
1	Qualifications of consultant and availability	30
2	Adherence to RFP specifications and related requirements: Clear understanding of required deliverables	30
3	Experience with similar work agencies such as UNEP and or UNDP;	20
4	Demonstrated track record of success, supported by references	20
	Total	100

ANNEXES

Annex 1: General Standard scope of audit

The scope of audit services shall cover the overall management of the project's implementation, monitoring and supervision. The audit work should include the review of work plans, progress reports, project resources, project budgets, project expenditure, project delivery, recruitment, operational and financial closing of projects (if applicable) and disposal or transfer of assets. To this effect, the scope of the audit shall cover the following areas as they are performed at the level of the project:

Finance

The audit work shall cover the adequacy of the accounting and financial operations and reporting systems. These include budget control, cash management, certification and approving authority, receipt of funds, and disbursement of funds, recording of all financial transactions in expenditure reports, records maintenance and control.

Procurement

The audit work shall cover the competitiveness, transparency and effectiveness of the procurement activities of the project in order to ensure that the equipment and services purchased meet the requirement of either the government (or NGO) or UNDP and include the following:

- As applicable, delegations of authorities, procurement thresholds, call for bids and proposals, evaluation of bids and proposals and approval/signature of contracts and purchase orders;
- Receiving and inspection procedures to determine the conformity of equipment with the agreed specifications and, when applicable, the use of independent experts to inspect the delivery of highly technical and expensive equipment
- Evaluation of the procedures established to mitigate the risk of making purchases that do not meet specifications or is later proven to be defective;
- Management and control over the variation orders.

The audit work in the area of procurement shall also cover the use of consulting firms and the adequacy of procedures to obtain fully qualified and experienced personnel and assessment of their work before final payment is made.

Asset Management

The audit work shall cover Fixed Assets purchased for use of the project. The procedures for receipt, storage, and disposal shall also be reviewed.

Cash Management

The audit work shall cover all cash funds held by the project and review procedures for safeguarding of cash.

General Administration

The audit work shall cover travel activities, vehicle management, shipping services, office premises and lease management, office communications, and records maintenance.

Information System

The audit work shall cover the information and communication systems and the control and security of equipment and data.

Note

The above scope shall cover those transactions performed at the level of the project to include direct payments made by the *project donor* country office.

Scope Limitation

From time to time there will be scope limitations which will be communicated by the DOE to the Auditor. **Important note:** Such scope limitation should not be a reason for issuing a qualified (negative) audit opinion by the auditors. Please refer to Annex 4 for additional information.

Annex 2: Qualifications of an Auditor

The auditor must be completely impartial and independent from all aspects of management or financial interests in the entity being audited. The auditor should not, during the period covered by the audit nor during the undertaking of the audit, be employed by, serve as director for, or have any financial or close business relationships with any senior participant in the management of the entity. It may be appropriate to remind an auditor of any existing statutory requirements relating to independence and to require an auditor to disclose any relationship that might possibly compromise his/her independence.

The auditor should be experienced in applying ISA audit standards, whichever is applicable for the audit. The auditor must employ adequate staff with appropriate professional qualifications and suitable experience with ISA with knowledge of local accounting procedures including experience in auditing the accounts of entities comparable in size and complexity to the entity being audited. The audit team leader should have at least 5 years of relevant professional experience and the other team members should have at least 3 years of relevant professional experience. Fluent English is obligatory.

Curriculum vitae (CVs) should be provided by the principal of the firm of auditors who would be responsible for signing the opinion, together with the CVs of managers, supervisors and key personnel proposed as part of the audit team.

CVs should include details on audits carried out by the applicable staff, including ongoing assignments indicating capability and capacity to undertake the audit.

Auditor's report to:

The Chair of the Project Management Committee

a) Certification of Statement of Expenditure

We have audited the accompanying Statement of Expenditure (“the statement”) of the project Name _____ for the period 1 January to 31 December (or otherwise stated). The statement is the responsibility of the management of the project. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with International Audit Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the statement of expenditure **presents fairly (unqualified (positive audit opinion))**, in all material respects the expenditure of _____ [*insert amount in US\$*] incurred by the project for the period 1 January to 31 December in accordance with stated accounting requirements.

Or (qualified (negative audit opinion))

In our opinion, the statement of expenditure, **except for** (a), (b), (c), etc., presents fairly in all material respects the expenditure of _____ [*insert amount in US\$*] incurred by the project for the period 1 January to 31 December in accordance with the accounting requirements. The total **net financial impact** of this qualification is _____ [*insert amount in US\$*].

Or (disclaimer (negative audit opinion))

We were **unable to obtain sufficient appropriate audit evidence** and accordingly are unable to express an opinion on the statement of expenditure of _____ [*insert amount in US\$*] incurred by the project for the period 1 January to 31 December. The total **net financial impact** of this opinion is _____ [*insert amount in US\$*].

Or (adverse (negative) audit opinion)

We noted material differences between _____ and the statement of expenditure. As such, we **do not express an opinion** on the statement of expenditure, of _____ [*insert amount in US\$*] incurred by the project for the period 1 January to 31 December. The total **net financial impact** of this opinion is _____ [*insert amount in US\$*].

b) Certification of Statement of Assets and Equipment

We have audited the accompanying Statement of Assets and Equipment (“the statement”) of the project Name _____ as at 31 December. The statement is the responsibility of the management of the project. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with International Audit Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the statement of assets and equipment presents fairly **(unqualified/favourable)**, in all material respects the inventory balance of the project amounting to _____ [*insert amount in US\$*] as at 31 December in accordance with DOE requirements.

c) Certification of Statement of Cash Position

We have audited the accompanying Statement of Cash Position (“the statement”) of the Project Name _____ as at 31 December. The statement is the responsibility of the management of the project. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with International Audit Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the statement of cash position presents fairly (unqualified (positive audit opinion)), in all material respects the cash balance of the project amounting to _____ [*insert amount in US\$*] as at 31 December.

This report is intended solely for the information and use of DOE and the Government of Antigua and Barbuda

Date of issuance: _____

AUDITOR'S NAME (Please print) _____

AUDITOR'S SIGNATURE _____

STAMP AND SEAL OF AUDIT FIRM: _____

AUDIT FIRM ADDRESS: _____

AUDIT FIRM TEL. NO. _____

Note: Audit opinions must be one of the following: (a) qualified, (b), unqualified, (c) adverse, or (d) disclaimer. If the audit opinion is other than “unqualified” the audit report must describe both the nature and amount of the possible effects on the financial statements (**NET FINANCIAL IMPACT**). A definition of audit opinions is provided in Annex 4.

Annex 4: Definition of Audit Opinions

Unqualified (Clean) Opinion

An unqualified opinion should be expressed when the auditor concludes that the financial statements give a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

Modified Unqualified or Emphasis of Matter paragraph

In certain circumstances, an auditor's report may be modified by adding an emphasis of matter paragraph to highlight a matter affecting the financial statements which is included in a note to the financial statements that more extensively discusses the matter. The emphasis of matter paragraph would ordinarily refer to the fact that the auditor's opinion is not qualified in this respect, by adding a paragraph to highlight a material matter regarding an ongoing concern or problem or a significant uncertainty. An uncertainty is a matter whose outcome depends on future actions or events not under the direct control of the entity but that may affect the financial statements.

Qualified Opinion

A *qualified opinion* should be expressed when the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with management, or limitation on scope is not so material and pervasive as to require an adverse opinion or a disclaimer of opinion. A qualified opinion should be expressed as being 'except for' the effects of the matter to which the qualification relates.

Disclaimer of opinion

A *disclaimer of opinion* should be expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and accordingly is unable to express an opinion on the financial statements.

Adverse

An *adverse opinion* is expressed by an auditor when the financial statements are significantly misrepresented, misstated, and do not accurately reflect the expenditure incurred and reported in the financial statements (Financial Reports, statement of cash, statement of assets and equipment).

An *adverse opinion* is expressed when the effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

Annex 5: Categorization of Audit Findings by Risk Severity

High	Action that is considered imperative to ensure that DOE is not exposed to high risks (i.e. failure to take action could result in major consequences and issues).
Medium	Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences).
Low	Action that is considered desirable and should result in enhanced control or better value for money.

Annex 6: Classification of possible causes of Audit Findings

Compliance	Failure to comply with prescribed Accounting Standards and or Financial regulations, rules and procedures, and or Donor requirements;
Guidelines	Absence of written procedures to guide staff in the performance of their functions
Guidance	Inadequate or lack of supervision by supervisors
Human error	Mistakes committed by staff entrusted to perform assigned functions
Resources	Lack of or inadequate resources (funds, skills, staff, etc.) to carry out an activity or function

Causes of Audit Observations

1. Lack of/or inadequate policies/procedures/guidelines
2. Lack of/or inadequate guidance/supervision at the project level
3. Inadequate guidance/monitoring
4. Lack of/or insufficient resources (specify: financial, human or, technical resources)
5. Inadequate planning
6. Inadequate training
7. Human error
8. Intentional overriding of Internal Controls