



Agence française de Développement  
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## TERMS OF REFERENCE FOR A FINANCIAL AND INTERNAL CONTROL SYSTEM AUDIT

### < LEGAL CAPACITY AND PARTICIPATION OF ENVIRONMENTAL DEFENDERS IN THE REPUBLIC OF CONGO >

Agreement number(s):	AFD CCG 1199 01 M
Entity subject to the audit:	RAINFOREST FOUNDATION UK
Country:	REPUBLIC OF CONGO
Contracting Authority:	Mr Maurizio Cascioli, Director of the AFD branch in Brazzaville
Provisional audit contract conclusion date:	15 June 2026
Periods covered:	1st April 2023 – 29 February 2024 1st April 2024 – 28 February 2025 1st April 2023 – 15 March 2026

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# 1 Audit Context, Objectives and Scope

## 1.1 Context

### 1.1.1 Presentation of AFD

AFD is a central actor in France's development policy and supports States, companies, local authorities and NGOs. It builds synergies with them to catalyze, feed into and disseminate innovative solutions that benefit people. Through its network of 85 agencies, AFD operates in 108 countries, where it is currently financing, monitoring and supporting over 2,500 development projects.

### 1.1.2 Presentation of the Project / Programme

Additional information about the Project / Programme is available in Annex 4.1

- The project "Legal capacity and participation of environmental defenders in the Republic of Congo" led by RFUK, in collaboration with the Comptoir Juridique Junior (CJJ) and Client Earth (CE), aims to promote greater participation and access to justice for environmental defenders in order to strengthen the rule of law, accountability and sustainable management of forest resources. In the long term, the project aims to contribute to better protection and governance of tropical forests, while respecting the rights of local communities. The rainforest covers most of the Republic of Congo and is an area of global importance for the protection of biodiversity as well as its enormous economic potential. These forests are also of vital environmental, economic and cultural importance to the indigenous and Bantu communities who have customary rights to these lands. However, almost all of the country's forest area is allocated to logging concessions, agro-industrial plantations, protected areas, and oil and mining blocks. These concessions are often granted unilaterally, without prior consultation with local and indigenous communities and in a state of great opacity. As a result, these communities are forced to displace, lose access to their traditional lands and livelihoods, and see their environment and resources degraded, leading to conflict, violence, and human and environmental rights violations. However, most of these conflicts and violations go unreported due to the remoteness of these areas and weak governance. The government lacks the resources and political will to monitor the behaviour of concessionaires on the ground.

Environmental defenders (understood as individuals, communities or civil society organizations that defend the environmental human rights of communities, without necessarily considering themselves as defenders as such) have limited access to information and lack the resources to control the activities of concessionaires on their land. When they denounce illegalities and violations of their rights, they expose themselves to the risk of reprisals and human rights violations and have difficulty accessing justice. These risks are exacerbated by weak governance, an influx of private sector actors with little concern for social and environmental standards, and discrimination against already marginalized groups such as women and indigenous peoples. All this in a national context of strong repression of civic participation more generally, which weakens the capacity of urban civil society organizations to carry out advocacy actions in support of these communities.

Local communities and indigenous peoples, despite being at the forefront of these issues and best able to conserve the resources on which they depend, are generally marginalized in forest governance and decision-making regarding the management of their traditional lands.

This project is 87% financed by AFD via a grant of EUR 690,671. In accordance with the provisions of the FISONG tool, the project is 13% co-financed by another donor, EarthInsight.

- The contract between the AFD and RFUK for the project “Legal Capacity and Participation of Environmental Defenders in the Republic of Congo” was signed on 29th March 2023. The project duration is 3 years and is being implemented in the Likouala, Lékoumou and Sangha Departments of the Republic of Congo. The AFD shall make available to The Rainforest Foundation UK (RFUK) at its request and subject to the provisions of the Agreement a Grant of a maximum total amount of six hundred and ninety thousand six hundred and seventy-one euros (EUR 690 671). The financing plan is indicative of €690 671 (87%) funded by AFD and €98 741 (13%) by a co-funder and disbursed in three tranches; tranche 1 which amounts to €276 269 disbursed in 2023, tranche 2 €207,201 disbursed in 2024 and tranche 3 €207,201 disbursed in 2025.

Subject to compliance with the conditions set out in Article 2.4 (Conditions precedent), the funds of the Grant will be paid to the Beneficiary, in three Instalments, upon presentation of a duly established request for Payment.

Each Payment request will only be considered duly established if all necessary documents and supporting documents are attached to the Payment request and comply with the provisions of the payment terms.

If the conditions stipulated in the Agreement are met, the Agency will make available to the Beneficiary the requested Payment.

The funds will be paid in the form of Advances into the Project Account.

The funds of the Grant will be paid to the Beneficiary in the place of the Beneficiary's country or in any other place determined in agreement with the Agency.

The Recipient agrees to deposit the funds of the Grant into an Account receiving the funds of the Project funds opened in the books of an Acceptable Bank (the

The Account receiving the Project funds may not be dedicated exclusively to the Project, subject to the exclusive use of the Grant funds for the financing of the Project and the proper maintenance of an analytical accounting with one or more lines dedicated exclusively to the Eligible Expenses and the payments made for the Project. This cost accounting should enable auditors to (i) easily identify financial flows, in particular supporting documents (document coding system) according to an analytical configuration of the system at the Project level and (ii) ensure the proper use of the resource, particularly with regard to contractual requirements.

- The beneficiary of the project is Rainforest Foundation United Kingdom (RFUK), in partnership with Client Earth and the Comptoir Juridique Junior (CJJ), the beneficiaries of the project's retrocession. The consortium aims to draw on the expertise of each partner organisation to ensure the implementation of the project. A project-specific Memorandum of Understanding (MoU) and retrocession agreements between RFUK and each retrocession beneficiary have been signed in order to clarify the roles and responsibilities of each – after prior formal agreement from the AFD in the form of a Notice of No Objection.

RFUK is responsible for the overall coordination of the project, the proper execution of the programme of activities and the relationship with AFD, particularly in terms of accountability.

Thus, RFUK transmits the annual technical and financial implementation reports to the AFD, the deliverables of the monitoring and evaluation system as well as the audit reports.

As part of the implementation of the project activities, RFUK will support CJJ in the use of ForestLink, in particular by providing the necessary means for data collection and transmission.

Client Earth will provide its legal expertise to support the Legal Working Group (LWG) and Civil Society Organizations (CSOs) in making recommendations on ongoing legal reform processes, to support international communication and advocacy campaigns and, in collaboration with CJJ to form a network of community paralegals and organize community workshops on conflict resolution and/or provide support in the judicial process.

CJJ will be in charge of relations with local communities and indigenous peoples, drawing on its long experience in participatory approaches, legal empowerment and forest governance. CJJ will also manage the ForestLink kits, train local communities and indigenous peoples on how to use them. At the legal level, they will accompany the work of lawyers and paralegals, participate in LWG meetings, support CSOs in the formulation of policy and legal recommendations and coordinate advocacy at the national level.

Beyond the roles of the three members of the consortium detailed above, other actors will also be involved in the deployment of the activities as implementing partners and/or beneficiaries: public authorities (at national and local level in order to involve them in the follow-up of community alerts), development partners (network of local CSOs, international NGOs and donors active on the themes of human rights and/or forest governance), research actors and the private sector, particularly forestry (dialogue will be sought with companies and/or professional organizations in the sector).

### 1.1.3 Context of the Audit

A Control-Audit is requested to trigger the disbursement of the second tranche of funds in 2024, a third tranche in 2025 and a final audit is to be submitted within 3 months after the end date of the project. The Beneficiary undertakes that the Project will be subject to external audits prior to any new request for an Advance other than the first one made on the funds of each Advance, and a final audit.

These audits will be carried out by an independent audit firm selected by the Beneficiary and of good reputation, after a no objection notice (NOA) from the Agency on the terms of reference of the audit engagement and on the audit firm selected. The Agency has a period of one (1) month to issue a Notice of No Objection (NOA) from the written communication of the information by the Beneficiary.

Audit reports must be communicated to the Agency no later than fifteen (15) working days before any request for an Advance other than the first.

These TOR will form an integral part of the contract between the Contracting Authority (CA) and the auditor.

## 1.2 Audit Objectives

The objectives of this audit are to enable the auditor to express a professional opinion on whether:

- **the financial statements** of the Project / Programme present fairly, in all material aspects, the expenditure actually incurred and revenue actually received for the Project / Programme for the period covered by the audit;
- **the funds allocated to the Project / Programme have, in all material aspects, been used in conformity with the applicable contractual conditions; the expenditure is compliant with the rules of sound financial management, assessed notably in the light of eligibility criteria (see Annex 4.2 – Nomenclature of Findings and Misstatements);**
- **the internal control system** set up and operated by the Entity for the purpose of managing risks to the achievement of the objectives of the Project, was suitably designed and operated effectively in the period covered by the audit;
- **contracts** have been awarded in accordance with applicable rules and in accordance with the principles of economy, efficiency, transparency and fairness, **and in compliance with due diligence requirements;**
- contracts have been performed in accordance with **technical** requirements and specified standards.

The auditor should also provide recommendations on the various aspects of the audit.

## 1.3 Scope (or Extent) of the Audit

### 1.3.1 Contractual Conditions

- AFD Financing Agreement
- Deed of retrocession with Comptoir Juridique Junior (CJJ) and Client Earth (CE)
- Due diligence with regard to financial sanctions for CSOs in receipt of funding from AFD
- Procurement Guidelines for AFD-Financed Contracts in Foreign Countries

### 1.3.2 Period(s) Covered

The period of the project is 01 April 2023 – 15 March 2026 and the audits will need to be undertaken as per the calendar below:

- The 1<sup>st</sup> Audit will cover the period 01 April 2023 to 29 February 2024 corresponding to the first year of the project or 70% of tranche 1;
- The 2<sup>nd</sup> Audit will cover the period 01 April 2024 to 28 February 2025 corresponding to the second year of the project or 70% of tranche 2;
- The final Audit will cover the entirety of the project from 01 April 2023 to 15 March 2026.

### 1.3.3 Financial and Volume Data – 1<sup>st</sup> Audit

Financial and volume data for the period covered by the financial component of the audit is provided below:

- < budget for the period (1<sup>st</sup> Audit)>; €193,388.30
- < expenditure amount implemented over the period >; €276,269.00
- < number of bank accounts opened for the Project/Programme and entities authorised to operate them >; Organisational banking used
- < number of expenses (if possible, breakdown of expenses between activities, investments and operational costs, and breakdown by project banking accounts) >;

S/N	Categories of Expenses	Number of Expenses
1	Staff and Consultants	10
2	Materials and Supplies	7
3	Travel, travel and mission expenses	17
4	Communications	6
5	Operational costs, events, training, meetings etc.	3
6	Other direct costs	4
7	Unexpected	5
8	Overheads	8
	Total	60

- < indicative number of supporting documents corresponding to these expenses >; Sixty supporting documents

Data for the audit of the internal control system include is provided below:

- < staff allocated to the Project/Programme >;

Project	Role	Employee
AFD/ROC/2023/001	Senior Project Coordinator	Robyn Stewart
AFD/ROC/2023/001	Project Officer	Adele Chayegan
AFD/ROC/2023/001	Developer, Monitoring and System	Stephane Piedjou
AFD/ROC/2023/001	Senior Coordinator, Programmes Finance	Chioma Ezenduka
AFD/ROC/2023/001	Senior Project Coordinator	Patrick Dimanin

### 1.3.4 Restrictions to the Scope of Work

The auditor reports to the Contracting Authority as soon as possible about any limitations in the scope of work he/she may find prior to or during the audit.

He/she informs the Entity of any attempt to restrict the scope of the audit, or any lack of cooperation on the part of the Entity. The auditor consults with the Contracting Authority on what action may be required, whether or how the audit can be continued and whether changes in the audit scope or the timetable are necessary.

In the event of security problems arising, the auditor and the Contracting Authority agree on the actions to be taken and adapt the scope of work accordingly.



## 2 Audit Methodology and Reference Framework

### 2.1 Conduct of the Audit

#### 2.1.1 Audit Stages

##### a) Engagement preparation

The auditor should contact the Entity as soon as possible (and no later than <ten> days) after the audit has been formally announced to the Entity by the Contracting Authority, to prepare the engagement and agree on its timetable, notably for field work.

He /she should ensure the availability:

- of the final financial statements and of the original supporting documents or photocopies of the originals certified by the Entity and shall address the Entity a first request for documents (elements relating to the financial audit and to the audit of the internal control system);
- of the contracts documentation (both for procurement and technical aspects) and their location. Based on the list of contracts annexed to the TOR, he / she will address the Entity a first request for documents.

##### b) Preparatory meeting with the Contracting Authority

The purpose of this meeting is to exchange views on audit planning and field work, as well as on the timetable for preparing the audit report and to clarify the points still outstanding (in particular actions to be taken following the first request for documents).

##### c) Opening meeting with the Project / Programme

An opening meeting with the Entity is organised to address the following topics: planning of the audit fieldwork, logistics and security (premises, vehicles, equipment, etc.), documents availability, key staff availability and initial meetings set up and, if applicable, designation of a focal point at the Entity level.

The auditor should inform the Contracting Authority of this meeting, in which its representatives may take part.

##### d) Execution of the audit engagement

The auditor performs the procedures detailed in section 2.3 of these TOR. He uses a working method as participatory as possible, to obtain as much evidence items and supporting documentation as possible during the engagement and prior to the production of the draft report.

##### e) Aide-mémoire and restitution meeting

At the end of the engagement, the auditor prepares an aide-mémoire and is required to organise a closing meeting with the Entity. Representatives of the Contracting Authority may take part in this meeting, aimed at reviewing the aide-mémoire and obtaining from the Entity its observations on the auditor's findings and recommendations. If necessary, the Entity is invited to provide additional documents and/or information to be taken into consideration in the draft report.

f) Draft Report to be sent to the Contracting Authority

The draft report must be prepared within a period of <ten> working days after the closing meeting. Submission follows the following stages:

	<b>Option 2: DR sent simultaneously to the CA, AFD and Entity</b>
	The DR is sent at the same time to the CA, AFD and Entity for their comments
	The auditor integrates the comments from the CA, AFD and Entity and prepares the final report

g) Comments on the draft report by the Contracting Authority/AFD and/or Entity

The Contracting Authority, AFD and Entity have <ten> working days to provide their comments and any additional (scanned) supporting documentation to the auditor.

If, at the end of this period, the comments and supporting documentation have not been sent, the auditor then informs the Contracting Authority, which contacts the Entity to agree on a solution. Any additional period granted by the Contracting Authority is confirmed in writing to the auditor and the Entity.

h) Final report

The final report must be submitted by the auditor within <ten> working days following receipt of comments and observations, and of any additional supporting documentation.

## 2.1.2 Audit Timetable

a) Annual Audits

The indicative start date for the mission is <April 1<sup>st</sup> 2024>. Start-up must occur within <five> working days after official notification.

The period between the audit closing meeting and submission of the final audit report to the Contracting Authority must not exceed <ten> working days.

The maximum duration of the mission is set at <forty-three> working days.

Example of a detailed timetable to be completed by the auditor for a mission of a maximum 3-month duration:

	M1				M2				M3			
	W1	W2	W3	W4	W1	W2	W3	W4	W1	W2	W3	W4
Engagement preparation												
Preparatory meeting with the Contracting Authority												
Opening meeting with the Entity												
Fieldwork												
Aide-mémoire and restitution meeting												
Draft report submission (<five> days after mission)												
[AFD] Contracting Authority and Entity observations on Draft Report (<ten> days after report is received)												
Submission of final report to Contracting Authority [AFD] and the Entity (<ten> days after receiving comments and possible additional supporting documentation)												

### 2.1.3 Engagement Logistics

- < information location and physical verification/control requests for physical and financial audits. If travels are expected, the locations must be clearly indicated >; RFUK will be responsible for travel related cost on the audit;
- < secure and air-conditioned offices, Internet connection, badges and office equipment >;
- < vehicles in case of travels; for vehicles (or any other means of travel), it must be clarified whether the costs are borne by the Entity or by the auditor >.

### 2.1.4 Volume of Services

The estimated overall volume of services in man-days for the entire audit team is <forty-three> days. The table below details the volumes of services by expert:

	Key experts				Non-key experts		TOTAL
	Partner	Team Leader	Supervisor	Senior Auditor No. 1	Assistant Auditor No. 1	Assistant Auditor No. 2	
Min. No. days							
Max. No. days							

### 2.1.5 Report Structure and Content

The use of the audit report template, provided to the auditor, is mandatory. It should be presented in English. Findings and misstatements will be presented in the audit report according to the nomenclature provided in Annex 4.2. and financial findings should be summarised based on the following typology: eligible expenditure, eligible with misstatements, ineligible, unaudited.

The auditor sends the draft report electronically, in Word and Excel for the annexes, simultaneously to the Contracting Authority, AFD and the Entity.

He /she then sends to the Contracting Authority/AFD two original paper versions on the auditor's letterhead and an electronic version (in Word and Excel for the annexes) of the final report along with a cover note. In the cover note, he / she should confirm that two original paper versions of the final audit report have been sent to the Entity. The word "draft" or "final" should appear clearly on each version. The final report is signed by the partner in charge of the engagement and its execution.

The auditor must also send an electronic version (in PDF format) of the signed and dated final report to the Entity's focal point.

#### Specific case of a verification of supporting documentation for renewal of advances:

The auditor is not required to issue a report with opinion, since one will be later prepared, at the time of the annual audit. However, the auditor should report on his / her work, using the following sections of the audit report template (see Annex 4.4 of the TOR):

- Section 3.1: Summary of financial findings table, with the only modification consisting in replacing "Draft Report" and "Final Report" with "Result of the audit";
- Section 4.1: financial findings, presented one by one;
- Annex 4.3 of the TOR: an Excel file documenting the auditor's verifications, which will be adapted by removing columns for received observations and final findings.

## 2.2 Audit Methodology

### 2.2.1 Determination of the Opinion

The possible audit opinions for financial audits and internal control system audits are an unqualified opinion, a qualified opinion, an adverse opinion and a disclaimer of opinion. The report template provided to the auditor contains guidance for the formulation of the opinions.

Auditors are now required, when expressing an opinion on the current year's financial statements, to consider the possible effect of a modified opinion (qualified opinion, adverse opinion and disclaimer of opinion) from a previous year that did not result in an appropriate amendment or solution (ISA standard 710). This avoids the accumulation of unresolved findings.

### 2.2.2 Documentation of Identified Misstatements and Weaknesses

The Excel file attached in Annex 4.3 should be used by the auditor to document procedures performed on audited expenditure and contracts and summarise identified misstatements. Other Excel files to facilitate the application of audit procedures. Annex 4.3 should be attached to the auditor's report.

Material misstatements detailed in the report must be documented in the auditor's work file electronically or in hard copy and kept for a period of 5 years after approval of the final report.

## 2.3 Audit Procedures

### 2.3.1 Audit of the Internal Control System

The auditor adapts the scope of his review of the design and operation of the internal control system based upon his prior knowledge of the Entity (for multiannual audits).

#### a) Documents analysis

The auditor should particularly examine:

- the financing agreements(s), agreements and protocols with partners, contracts, technical and financial implementation reports, activity programs and budget procedures manual and any other existing document;
- the organisational set up for administrative, technical and financial management, and its reliability and adequacy in terms of procedures and available human and material resources.

#### b) Review of the internal control system

The auditor should verify the reliability and adequacy of the internal control system's organisation, its actual design and operating effectiveness, in particular with regard to:

#### **The organisation:**

- definition of tasks and distribution of responsibilities, in particular for commitment and authorisation of expenditure, certification of services rendered and payment;
- separation of incompatible or conflicting tasks;

#### **The procedures in place:**

- existence of accurate and documented procedures for expenditure justification;
- opening of separate cash accounts based on the origin of funds, as well as implementation of cash control procedures;
- compliance with applicable procedures for supplier selection, and consultant and service provider recruitment (tender documents, tender or candidate evaluation records and selection minutes);

#### **Archiving, accountability and, as such:**

- organisation, filing and securing of financial papers and documents;
- regular and timely production of financial statements and financial and technical implementation reports, etc.

#### **Specific controls, including:**

- setup and effective operation of control methods to comply with agreements on anti-money laundering and combatting the financing of terrorism, including completion of due diligence to ensure compliance with economic and financial sanctions regulations;
- detection of double financing of expenditure by multiple donors;

- existence of operational monitoring and control structures.

The auditor may use the *ICS Review Module* file, available on the AFD website, as a framework to perform such work.

c) Risk assessment

The previous stage allows the auditor to assess the risks distinctly for each source of information and based on **7 criteria: completeness, effectiveness, evaluation, allocation, rights, obligations and information.**

The auditor should assess the main risks to the achievement of the objectives of the Project/Programme, including risks financing provided to the Project not being used in conformity with the applicable Contractual Conditions and the risk of error, irregularities and fraud with regard to Project / Programme financing.

The auditor should also assess whether the design of the internal control system sufficiently mitigates those risks and whether it operates effectively.

d) Obtaining evidence and control testing

The auditor uses his understanding of the internal control system and risks to assess the robustness of controls and test their operational effectiveness, depending on the objective of the audit.

Tests of controls should concentrate on internal control areas and key controls that:

- are appropriate within the context of the Project / Programme, and
- prevent and/or allow to detect and correct individual errors or undesired events, such as:
  - the total or partial non-achievement of the Project / Programme objectives,
  - the non-reliability of the Project/Programme financial and technical implementation reports and/or financial statements,
  - the fact that funds allocated to the Project/Programme have not been used in accordance with the financing agreement conditions,
  - the occurrence of fraud and/or irregularities.

Detailed controls are proposed in the *ICS Review Module* file, available on the AFD website.

## 2.3.2 Financial Statements Review and Verification of the Use of Allocated Funds

a) Verification of financial statements

The auditor performs the necessary procedures to verify that resources received and used by the Project / Programme are effectively reflected in complete, sincere and correctly drawn up financial statements. As such, he/she:

- ensures that the Project/Programme financial statements have been prepared in accordance with the requirements set out in the financing and/or delegation agreement as well as in the Project/Programme procedures manual (e.g. accrual or cash-based accounting);

- ensures that the financial statements presents fairly, in all material aspects, the actual expenditure incurred and revenue received for the Project/Programme for the period subject to the audit, in conformity with the applicable contractual conditions;
- ensures that the financial statements are consistent with other accounting documents including the trial balance and books of accounts;
- ensures that the financial statements are consistent with the technical and financial implementation reports submitted to AFD and any other financial or statutory reports prepared within the context of the Project / Programme;
- reviews adjusting entries made during the financial statements closing process;
- reconciles the financial statements with the cash situation and/or bank accounts, including by obtaining direct confirmation from the banks managing the accounts;
- verifies, if applicable, the accuracy of exchange rates used for monetary conversions, as well as their compliance with the financing agreement conditions;
- verifies, if applicable, the procedures used to control funds sent to other entities involved in activities implementation.

The auditor may elect to request written statements in a letter of representation (A template, from ISA 580, is provided in Annex 4.4; the auditor will verify that ISA 580 has not altered this template) signed by member(s) of the Management who are primarily responsible for the Entity's management (ISA 580). The purpose of this approach is to obtain evidence that the Management acknowledges its responsibility for: the financial report's reliability, adherence to the financing agreement conditions, compliance with regulations and best practices for procurement and execution of contracts, and the organisation of an appropriate internal control system.

#### b) Verification of the use of funds

The objective of these procedures is to ensure that:

- the funds allocated to the Project / Programme by AFD for the period subject to the audit have, in all material aspects, been used in conformity with the applicable contractual conditions;
- the statement of assets presents adequately (number, description and value of assets) and exhaustively the assets acquired for the Project / Programme for the period subject to the audit, in conformity with the contractual conditions and information contained in the financial report.

The auditor's work covers in particular:

- the compliance verification with accounting principles and specific rules;
- the verification of expenditure's compliance with activities agreed upon in the financing and/or delegation agreement, activity programme and procedures manual, as well as their consistency with technical and financial performance reports;
- the verification that expenditure has been implemented during the implementation period of the audited Project / Programme and is supported by accurate, regular and sincere supporting documentation;
- the verification of statements of expenditure: expenditure authorisations, documentation of expenditure statements, compliance and validity of such statements.

Detailed controls are proposed in the *Financial Module* file, available on the AFD website.

#### c) Verification of the use of funds prior to renewal of advances.

In the case of renewal of advances, the auditor performs the procedures required for an annual audit (see previous paragraph) with regard to: expenditure compliance with agreed upon activities, expenditure implementation during the Project / Programme implementation period and its regular and sincere justification, as well as compliance of the period's statements of expenditure.

The auditor should in addition examine the following key points:

- attainment of the advance absorption rate defined in the financing agreement to enable full or partial renewal;
- correction by the Project / Programme, over the audited period, of expenditure previously invalidated for a prior period.

d) Analytical and budgetary procedures

The auditor performs an analytical review of expenditure to verify whether:

- the budget presented in the technical and financial performance reports corresponds to the budget in the financing and/or delegation agreement and/or approved by the steering committee and/or having received a non-objection notification from AFD (authenticity and approval of the initial budget by lines and sub-lines);
- the expenditure reported in the technical and financial performance reports were foreseen in the budget lines and sub-lines;
- budgetary amendments have been validated by the steering committee and/or have received a non-objection notification from AFD and/or have been formalised in an addendum to the financing agreement;
- the Project / Programme absorption rate is consistent with the activities implementation schedule. The auditor examines discrepancies and obtains explanations about over- or under-execution in the budget.

### 2.3.3 Audit of Direct Payments Made by AFD

In addition to the above procedures described in 2.3.2.b, the auditor shall ensure for direct payments:

- the actual completion of works and services, as well as of their compliance with the conditions of the contract;
- with regard to fixed-price technical assistance contracts, the consistency between the costs actually incurred by the service provider and those budgeted and integrated into the contract.

### 2.3.4 Follow-up of the Recommendations of Previous Audits

The auditor should review the recommendations contained in previous audit reports, assess their degree of implementation and re-assess their priority level, if required. If it is found that these recommendations have not been applied, the auditor tries to identify the underlying causes and proposes solutions for adjustment purposes.



## 3 Professional obligations

### 3.1 Standards and ethics

#### 3.1.1 Professional Standards to be Used

The auditor should take into consideration the various guidelines applicable to the production of financial audit reports. With regard to the application of ISA Standards, special attention should be given to the following:

- **Fraud and Corruption:** in accordance with **ISA 240** (Consideration of the risk of fraud and error in an audit of financial statements), it is important to identify and assess the risks of fraud, obtain or provide sufficient audit evidence for the analysis of these risks, and deal with identified or suspected fraud appropriately.
- **Laws and Regulations:** when developing the audit approach and executing the audit procedures, the Project/Programme compliance with laws and regulations that may significantly affect financial statements should be assessed, as required by **ISA 250** (Consideration of the risk of misstatement in an audit of financial statements resulting from non-compliance with legal and regulatory texts).
- **Governance:** communication with the Project / Programme Management members in charge of governance on major audit matters in compliance with **ISA 260** (Communication on the mission with those charged with Governance).
- **Risks:** to reduce audit risks to a relatively low level, appropriate audit procedures in response to the risks of misstatements identified after the assessment of the internal control system should be implemented, in accordance with **ISA 330** (Audit procedures implemented by the auditor after his risk assessment).

In accordance with **ISAE 3000**, the auditor should prepare audit documentation that provides:

- sufficient and appropriate evidence of the work serving as a basis for his audit report; and
- evidence that the audit has been planned and performed according to ISA standards and in compliance with applicable legislative and regulatory requirements.

Audit documentation is defined as the presentation of the audit procedures performed, relevant evidence collected and conclusions that the auditor has reached.

Audit files consist in one or more folders or other means of archiving, in a physical or electronic form, containing documentation relating to a specific mission.

#### 3.1.2 Ethics and Independence

The auditor should comply with the IFAC Code of Ethics for Professional Accountants, developed and issued by IFAC's International Ethics Standards Board for Accountants (IESBA).

This Code establishes fundamental ethical principles for auditors with regard to integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards.

## 3.2 Requirements for the Auditor

### 3.2.1 Auditor's Professional Affiliation

By agreeing these TOR, the auditor confirms that he/she meets at least one of the following conditions:

- the auditor is a member of a national accounting or auditing body or institution which in turn is a member of the International Federation of Accountants (IFAC); or
- the auditor is a member of a national accounting or auditing body or institution; although this organisation is not a member of IFAC, the auditor commits him/herself to undertake this engagement in accordance with the IFAC standards and ethics set out in these TOR.

### 3.2.2 Audit Team Qualifications and Experience

The Auditor will employ staff with appropriate professional qualifications and suitable experience with IFAC standards, in particular International Standards on Auditing and with experience in auditing financial information of entities comparable in size and complexity to the Entity. In addition the audit team as whole should have:

- experience with audits of development aid projects and programmes funded by national and/or international institutions and/or donors;
- sufficient knowledge of relevant laws, regulations and rules in the country would be an asset; this includes, but is not limited to taxation, social security and labour regulations, accounting and accounting information systems, procurement;
- excellent knowledge of French (or other official language of the country);
- audit experience in the Project/Programme sector.

### 3.2.3 Team Profiles

#### 3.2.3.1 Key Experts

Experts who are to perform an important role in the mission are referred to as “Key Experts”.

##### **Category 1 – (Audit partner)**

A Category 1 expert (Audit partner) should be a partner or other person in a position similar to that of a partner and be a highly qualified expert with relevant professional qualifications, and assuming or having assumed team leader and supervisor responsibilities in financial audit practice.

He should be a member of a national or international accounting or auditing body or institution. He must have at least 10 years of experience as a professional auditor or accountant, in the field of donor-funded projects / programmes audit.

The audit partner is the person responsible for the specific contract and its performance as well as for the report that is issued on behalf of the firm.

##### **Category 2 – (e.g. Team Leader)**

Team Leader(s) should be qualified expert(s) with a relevant university degree or professional qualification in accounting and/or auditing, procurement, works auditing and/or supervision. They must have at least 8 years of experience as a professional auditor in the field of donor-funded projects / programmes audit. They must demonstrate successful experience in managing audit teams.

**Category 3 – (e.g. Supervisor)**

Supervisors should be qualified experts with a university degree or relevant professional qualification in accounting and/or auditing, procurement, works auditing and/or supervision and have at least 5 years of experience as a professional auditor in the field of donor-funded projects / programmes audit.

**Category 4 – (e.g. Senior Auditor)**

Senior auditors should be qualified experts with a university degree or relevant professional qualification in accounting and/or auditing, procurement, works auditing and/or supervision and have at least 3 years of experience as a professional auditor in the field of donor-funded projects / programmes audit.

3.2.3.2 Non-Key Experts

**Category 5 – (e.g. assistant auditor)**

Assistant auditors must have a university degree in accounting and/or auditing, procurement, works auditing and/or supervision of work and have at least 1 year of professional experience as a professional auditor in the field of donor-funded projects / programmes audit.

3.2.3.3 Support Staff and Technical Support

The auditor is free to propose additional support (administrative and/or technical) in his/her bid, the cost of which should then be incorporated in the expert fees.

3.2.4 Curriculum Vitae (CVs)

The auditor provides the CVs of all experts (key and non-key) proposed as team members. The CVs include information on the types of audits performed by the team members, demonstrating their abilities and capacity to perform the audit, as well as detailed information regarding any relevant experience.

3.2.5 Composition of the Audit Team

	<b>Cat 1: Partner</b>	<b>Cat 2: Team Leader</b>	<b>Cat 3: Supervisor</b>	<b>Cat 4: Senior Auditor</b>	<b>Cat 5: Assistant Auditor</b>	<b>TOTAL</b>
Min. No. of auditors						
Other personnel (technical or PM)						
<b>TOTAL</b>						

- 4 Appendices
  - 4.1 Key Project/Programme Information
  - 4.2 Nomenclature of Findings and Misstatements
  - 4.3 List of Expenditures and Findings (Model)
  - 4.4 Audit Report Template
  - 4.5 Letter of Representation (Model)
  - 4.6 List of Awarded Contracts
  - 4.7 AFD Contract Award Checklist