

Ministry of the Environment and Housing

The Bahamas Environment Science and Technology (BEST) Commission

TERMS OF REFERENCE FOR A PROJECT FINANCIAL STATEMENTS AUDIT

Introduction

Annex A provides the Project background information regarding the proposed project to be audited. It is attached to these Terms of Reference.

Objective

The objective of the audit of the project financial statements is to enable the auditor to express a professional opinion on the project (Statement of Cash Flows and the Statement of Cumulative Investments) for the accounting period ending on that date. The project's accounting records will provide the basis for preparation of the financial statements and are established to reflect the financial transactions in respect of the project.

Responsibility for preparation of financial statements

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

Scope

1. The audit will be conducted in accordance with International Standards on Auditing practices consistent with ISA or INTOSIA. 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 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.
2. In complying with International Standards on Auditing, the auditor is expected to pay particular attention to the following matters:
 - 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: The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements.

- 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: Consideration of Laws and regulations in an Audit of Financial Statements.
 - c. The auditor should communicate audit matters of governance interest arising from the audit of financial statements with those charged with governance of an entity, as required by International Standard on Auditing 260: Communications of Audit Matters with those Charged with Governance.
 - d. In order 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: The Auditor's Procedures in Responses to Assessed Risks.
3. In evidencing compliance with project financial management arrangements and requirements, the auditor is expected to carry out tests to confirm that:
 - a. All external funds have been used in accordance with the conditions of the relevant financing agreements.
 - b. Counterpart funds have been provided and used in accordance with the relevant financing agreements.
 - c. Goods, works and services financed have been procured in accordance with project Policies and Procedures or any other guidelines acceptable to the Bank; the auditor should perform any necessary physical inspections based on risk considerations.
 - d. All necessary supporting documents, records, and accounts have been maintained in respect of all project activities and expenditures.
4. The internal control evaluation should include testing the effectiveness of control in the procurement process and payment for goods, works and services for the period reviewed, based on a representative sample for purpose of reducing audit risks.

Project Financial Statements

5. The financial statements include the Statement of Cash Flows, the Statement of Cumulative Investments, and explanatory notes [The explanatory notes should include reconciliation between the amounts shown as "received by the project from----" and those disbursed by the---- and a summary of movements on the project's Designated Account].

Audit Reports

6. The auditor will issue an audit opinion on the financial statements.
7. In addition to the audit opinion, the auditor will also report on, but not limited to, the following either in the audit report or in the report to management:
 - a. Provide comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;

- b. Identify specific deficiencies and area of weakness in systems and controls, and make recommendations for their improvement;
- c. Report on instances of noncompliance with the terms of the relevant financing agreements;
- d. Quantify and report expenditures that are considered to be ineligible and either paid out of the designated account(s) or which have been claimed from the relevant agencies
- e. Communicate matters that have come to the auditor's attention during the audit which might have a significant impact on the implementation of the project; and
- f. Bring to the borrower's attention any other matters considered relevant by the auditor.

Deadline for submission of the audit report

- 8. The audit report should be received by the Executing agency no later than on the date agreed in the relevant agreement.

General

- 9. 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, correspondence, and credit account information.
- 10. The auditor is encouraged to meet and discuss audit related matters with the BEST project team at the beginning and at the end of the engagement.

ANNEX A

Stockholm NIP: Project Overview:

The main objective of this project is intended to create sustainable capacity for the Commonwealth of Bahamas to fulfill its obligations under the Stockholm Convention, particularly the preparation of a National Implementation Plan (NIP) for POPs. This will enable the Commonwealth of Bahamas to: (i) prepare the ground for implementation of the Convention; (ii) satisfy its reporting and other obligations under the Convention; and (iii) strengthen its national capacity to manage POPs and chemicals generally.

Enabling activities for the Stockholm Convention on Persistent Organic Pollutants (POPs): National Implementation Plan for The Commonwealth of The Bahamas is a two (2) year project. It began January 2006 and was supposed to end December 2008. However the project will come to a close on December 2019.

Project objectives

Within the overall objective of the Stockholm Convention, which is to protect human health and the environment from POPs, the project will:

- i. Enable the preparation of the National Implementation Plan with respect to POPs in The Bahamas
- ii. Assist The Bahamas in meeting its reporting and other obligations under the Convention; and
- iii. Strengthen The Bahamas' capacity to manage POPs specifically and chemicals in general.

Project outcomes

- i. Assessment of national capacity to implement the Stockholm Convention
- ii. Preliminary inventories on POPs and other hazardous chemicals
- iii. National Implementation Plan required under Article 7 of the Convention, and management plans, specific action plans and strategies required to meet the obligations of the Convention
- iv. Strengthen POPs and chemicals management infrastructure
- v. Strengthen capacity to meet reporting obligations under the Convention