

## TERMS OF REFERENCE FOR PROJECT AUDIT

### **I. Introduction**

International Organization for Migration (hereinafter referred to as IOM) obtained a voluntary contribution of **Twenty Million United States Dollars (USD 20,000,000)** from The World Bank, acting through the Federal Republic of Somalia Ministry of Public Works, Reconstruction and Housing (hereinafter referred to as MOWPRH) to finance a project entitled; **Delivery of emergency drought impacts recovery response for the Somali urban resilience project phase two II (SURP-II) in Mogadishu, Garowe and Baidoa municipalities** and Contract Number: **SO-MOWPRH-297213-NC-DIR** (hereinafter referred to as the Project).

The project implementation period is 28 September 2022 to 31 March 2024.

IOM wishes to engage an audit firm's services for auditing the project, as stipulated in the agreement between **IOM and The Federal Republic of Somalia Ministry of Public Works, Reconstruction and Housing** The audit shall be carried out by an external, independent, and qualified auditor (Certified Public Accountant/Authorized Public Accountant) in Mogadishu, Somalia.

### **II. Objectives and scope of the audit**

The auditor shall use ISA 805 as the basis for the risk assessment.

- Audit the Financial reports for the period 28 September 2022 to 31 March 2024 and express an audit opinion according to ISA 805 on whether the financial report of the project submitted to the World Bank through the Federal Republic of Somalia, Ministry of Public Works, Reconstruction & Housing is in accordance with IOM's accounting records, agreed budget, and and World Bank requirements for financial reporting as stipulated in the agreement including appendices.
- The auditor shall examine, assess and report on compliance with the terms and conditions of the Agreement.
- The auditor shall express an opinion whether the Financial Report is correct and gives a true and fair view of the activities of the Project and whether the execution has complied with the rules and conditions governing the use of funds as expressed in the Agreement.

### **III. Audit Methodology**

The audit shall be carried out per international standards issued by The International Auditing and Assurances Standards Board (IAASB). The audit opinion will be expressed according to ISA 805.

- Examine whether the financial report includes a comparison between the actual costs/expenditures of activities and the budgeted costs/expenditures in the template and as per the amounts approved by MOWPRH for the period.
- Observe and inspect whether the financial report provides information regarding:
  - Financial outcome per budget line for the reporting period and columns for cumulative information regarding earlier periods under current agreement.
  - When applicable, compare if the opening fund balance for the reporting period matches with what was stated as closing fund balance in the previous reporting period.
  - Examine whether the exchange rate policy has been consistently applied in line with the Organization's policy.
- If funds have been forwarded to implementing partners, the auditor shall review whether IOM has signed agreements with its implementing partner organizations that reflect the applicable eligibility and audit requirements. Additionally, the auditor shall examine on a test basis that there is supporting documentation related to the expenditure reported by the implementing partners. The size of the test shall be based on the auditor's risk analysis. The auditors shall report the identified amount in case there is any missing supporting documentation.
- Follow up whether costs debited to the project/programme are eligible and are recorded in a systemized way and examine whether the salary costs can be verified by sufficient supporting documentation.
- Recalculate and confirm the accuracy of the quarterly financial reports submitted to the World Bank.
- Verify that the unspent fund balance (according to the financial report) at the end of the project is in line with information provided in the accounting system.
- On a test basis, undertake physical confirmation of key activity outputs.

### **IV. Reporting**

- The report shall contain details regarding the audit methodology and the scope of the audit.

- The report shall contain an assurance that the audit was performed in accordance with international standards and by an independent qualified auditor.
- The report shall be signed by the responsible auditor (not just the audit firm) including the title of the responsible auditor.
- The reporting from the auditor shall include an independent auditor's report in accordance with the format in standard ISA 800/805 and the auditor's opinion shall be clearly stated. The independent auditor's report shall clearly stipulate that the audit has been conducted in accordance with ISA 800/805.
- The financial report that has been subject of the audit shall be attached to the audit reporting.
- The reporting shall also include a Management letter that discloses all audit findings (significant and other findings), as well as project weaknesses, or other weaknesses that might affect the project, identified during the audit process.
- The auditor shall make recommendations to address any project weaknesses, or other weaknesses that might affect the project, identified. The recommendations should be presented in priority.
- If IOM does not agree with an auditor recommendation, or if IOM explains the reason for the finding for example, then the auditor shall make a final comment to IOM's response.
- If the auditor assesses that no findings or weaknesses have been identified during the audit that would result in a Management Letter, an explanation of this assessment must be disclosed in the audit reporting.
- The Management Letter shall state the measures that have been taken as a result of last previous project audits funded by MOWPRH in the country through this agreement and whether measures taken have been adequate to deal with reported shortcomings.
- The agreed upon procedures ISRS 4400 under section III, shall be reported separately in a "Report of factual findings". The size of the sample of reviewed audit reporting shall be stated in the report. When the auditor conducts agreed upon procedures according to ISRS 4400 and assesses that the observations presented in the "Report of factual findings" include the information that would have been included in a Management letter, a separate Management letter does not need to be issues for the ISRS 4400 assignment. Instead it is sufficient if the

“Report on factual findings” include an explanation as to why a Management letter has not been issued.

- The draft report shall be written in English and be presented to IOM in MS Word format only (PowerPoint, excel or any other format will not be acceptable) within **4 weeks** of the commencement of the audit.
- The final report shall not exceed 20 pages and should be presented to IOM in two hard copies and one digital PDF version for onward transmission to the to the World Bank through the Federal Republic of Somalia, Ministry of Public Works, Reconstruction & Housing.
- The audit shall commence latest by ....., the first draft audit report shall be due by ..... and the final audit report should be submitted to IOM no later than .....