

DEVELOPMENT OF FINANCIAL AND ACCOUNTING AUDITS FOR THE
EDUCATION AND SKILLS DEVELOPMENT ENHANCEMENT PROJECT
(IDA CREDIT Ref. 6331-CV)
AND THE
SOCIAL INCLUSION PROJECT
(IDA CREDIT Ref. 6355-CV)

TERMS OF REFERENCE

Introduction

1. The Government of Cabo Verde has received from the International Development Association – IDA / World Bank (hereafter named “World Bank”), the Credit ref. 6331-CV to fund the **Education and Skills Development Enhancement Project** aiming at supporting the extension of basic education to grade 8 and the establishment and operationalization of a skills development fund and the Credit ref. 6355-CV to fund the **Social Inclusion Project** aiming at supporting Government efforts in building an effective social protection system that promotes social and productive inclusion, and intends to apply part of the amount of said credits for: Development of Financial and Accounting Audits for the Education and Skills Development Enhancement Project and the Social Inclusion Project.

In order to coordinate the actions that should be executed throughout the Project, the Government has established the Management Unit for Special Projects (*Unidade de Gestão de Projectos Especiais* - UGPE) that ensures the coordination of all the activities needed for Project execution, especially the fiduciary management of the Education and Skills Development Enhancement Project and the Social Inclusion Project. The audit services will, under the present terms of references, be entirely funded by the above-referred IDA Credits Ref. 6331-CV and 6355-CV.

The Education and Skills Development Enhancement Project consists of the following components:

- 1. Support Extension of a Basic Education to Grade 8**

This component will support the implementation of selected priority areas of the Government Education Strategy Plan through, among others:

- (a) revision of curriculum and pedagogical practices, in line with the basic education reform;
- (b) establishment and operationalization of a student assessment system;
- (c) support to basic education teachers; and,
- (d) empowering actors of the education system with more autonomy and responsibility.

The disbursement for this component is report-based. The Government and Bank have agreed and defined objective indicators to be achieved by the Project and the amount of linked results to be paid by the Bank under the disbursement method of reimbursement.

2. Establishment and Operationalization of a Skills Development Fund

2.1. Skills Development Grants

Will finance Skills Development Grants (Grants) to public and private training providers to cover the costs associated with the elaboration and delivery of training programs for the priority skills to be identified for two industries (tourism and ICT). The priority skills and related training programs will be developed with support from the TA provided under Subcomponent 3.2 of the project, using a competency-based approach for curricula development. The Grants will cover services, consumables and small equipment necessary for the elaboration and operation of training programs.

2.2. Scholarships

Will finance scholarships to about 2,000 young Cabo Verdeans in priority training programs. Beneficiaries will be selected based on the new criteria and procedures elaborated with support from the TA provided under Subcomponent 3.2 of the project. Although these priority training programs may not be included in the programs supported under Subcomponent 2.1 of the Project, priority will be given to these sectors.

Will also support the SDF (Subcomponent 3.2), notably in the following areas: (i) strengthening the identification of skills needs in two priority industries (demand-side); (ii) promoting a training system that is responsive to the industry needs (supply-side); (iii) establishing a scholarship mechanism that is sustainable and promotes equity and employability; and (iv) developing a financing model for the skills development system that is sustainable in the medium and long terms

As a condition of disbursement of the scholarship program, the Government will adopt a sustainable model for student financing in terms and conditions acceptable to the Bank.

3. Support to the Education and Skills Development Reforms and Project Management

This component will finance TA to support activities planned under Components 1 and 2, as well as specific costs related to project management.

3.1. Support to the education reform

Will finance TA to support the MoE in the implementation of the education reform with a specific focus on activities conducive to the achievement of the agreed DLIs. The TA will cover, among others, the following areas: (i) development of specific training modules to develop socioemotional skills for Grades 7 and 8 students; (ii) support to the reform of secondary education (Grades 9–12) curriculum; (iii) development of an in-service teacher training and professional development strategy; (iv) capacity building to the newly created assessment unit and support to the decentralization pilot; and (v) capacity building of the MoE to monitor the implementation of the school infrastructure plan.

3.2. Support to the skills development sector

Will provide TA for the restructuring and operationalization of the FPEF into an SDF and support the elaboration of a skills development strategy. More specifically, this subcomponent will finance, inter alia, the following TA activities: (i) support to the tourism and ICT sector committees to be created under the project in identifying priority job profiles and defining related competencies profiles; (ii) support to training providers invited by the sector committees to deliver the training programs for the identified priority job profiles; (iii) design of a sustainable financing scheme for skills development; (iv) redesign of the student financing model for skills development; (v) support to the operationalization of the government leadership Bolsa Global program¹; and (vi) development of a human capital projection model.

3.3. Support to Project Management

The management costs will include, among others, the project audit, verification of the achievement of DLIs, and contribution to the UGPE operational costs.

The Social Inclusion Project consists of the following components:

1. Strengthening Social and Protection Systems

Enhancing the capacity of MFIS and Participating Municipalities to implement, monitor, and evaluate safety nets program as an integrated and permanent safety net system through:

1.1. Building permanent systems to implement social protection programs

¹ Bolsa Global is a government program created in 2018 with the objective of developing leadership skills among young promising Cabo Verdean professionals. The Project will provide TA to the establishment of the program.

- (i) Provision of technical assistance to build the technical capacity in social protection of MFIS, DGIS, DGPOG and Participating Municipalities;
- (ii) Enhancing the Cabo Verde's geographical and household targeting system, payment system under the RSI Program, a M&E system, the Management Information System ("MIS") of the RSI program, a Grievance Redress Mechanism ("GRM"), a communications system and strategy for the RSI Program and the USR, and a referral system for safety net beneficiaries to access productive opportunities supported under Part 2 of the Project; and
- (iii) Providing Project Implementation support to MFIS through the recruitment of technical experts to support MFIS or Participating Municipalities.

1.2. Expanding the Unified Social Registry

- (i) Conceptualizing the USR: defining the business processes for the USR by promoting an open consultation between MFIS and the Participating Municipalities;
- (ii) Defining outreach processes: developing a communications strategy for the USR;
- (iii) Assessing needs and conditions to determine eligibility of potential beneficiaries for social programs: collecting information on categorical characteristics and socio-economic factors pursuant to the criteria set out in the POM, transforming the information so collected into measures of welfare and then comparing it to pre-defined eligibility criteria to determine potential eligibility for beneficiaries of social programs;
- (iv) Improving and maintaining the information technology system (hardware and software) of the USR at the central and decentralized levels; and
- (v) Municipality Grants to scale-up the USR: financing the operational costs to register 8 000 additional households in additional Participating Municipalities.

2. Expansion of the RSI Program

Scaling up and improving the targeting and efficiency of the RSI Program through:

- (a) Cash Transfers: scaling-up the provision of cash transfers to poor households with children selected in accordance with the criteria set forth in the POM;
- (b) Municipality Grants for Productive Inclusion: Supporting productive inclusion of beneficiaries of the RSI Program in Participating Municipalities, through the financing of grants to Participating Municipalities for the benefit of eligible households with a family plan prepared and approved pursuant to the criteria set out in the Grants Manual for the payment of tuition fees, technical and vocational training in areas specified in the Grants Manual or initiating Income Generating Activities;
- (c) Improving the provision of childcare services in the poorer areas of the Cabo Verde's territory, through:
 - a. The provision of Municipality Grants for Childcare Improvement to cover recruitment of temporary staff, equipment and operating costs for eligible daycare centers (no works) with and approved grant implementation plan, selected in accordance with the criteria set out in the Grants Manual;
 - b. Supporting the National Plan for Social Care Services through:
 - i. The provision of the technical assistance to prepare proposals for legislation and regulations aimed at formalizing the role of social workers; and
 - ii. The financing of Social Work Scholarships for specialized courses for beneficiaries seeking social worker certification.

3. Support Project Management

Support the MFIS and UGPE carrying out Project implementation, monitoring and reporting activities.

Background

1. The World Bank's Audit rules require, annually, a financial report and the audit of Project's accounts, of Designated Account and of the Statement of Expenditure (SOEs). In this perspective, independent external auditors are required. The Project's financial statements, carried out by the UGPE are prepared to give account of the set of the Project financial transactions that comprises the following funding sources: IDA Credit 6331-CV for Education and Skills Development Enhancement Project and IDA Credit 6355-CV for Social Inclusion Project.

Objective

2. The objective of the audit of the project's financial statements is to enable the auditor to express a professional opinion on the Education and Skills Development Enhancement Project and the Social Inclusion Project financial position as at the end of each fiscal years 2019, 2020 and 2021 and of the income and expenditure for the accounting period ending on that date. The project's books of account provide the basis for preparation of the financial statements and are established to reflect the financial transactions in respect of each project.

Responsibility for preparation of financial statements

3. The UGPE is responsible for the preparation of financial statements, including the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, the safeguarding of the assets of the project, and adequate disclosure. As part of the audit process, the auditor will request from management written confirmation concerning representations made to us in connection with the audit.

Scope

4. The audit will be conducted in accordance with International Standards on Auditing. 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 the 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.
5. In complying with International Standards on Auditing, the auditor is expected to pay particular attention to the following matters, including special considerations for public sector entities:
 - (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.
 - (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.
 - (c) The auditor should communicate audit matters of governance interest arising from the audit of financial statements to those charged with governance of an entity, as required by International Standard on Auditing 260.
 - (d) The auditor should appropriately communicate to those charged with governance and to management any deficiencies in internal control that the auditor has identified in an audit of financial statements, as required by International Standard on Auditing 265.
 - (e) 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.
 - (f) When certain aspects of an entity's operations are performed by a third-party service provider, the auditor is expected to include an understanding and assessment of the internal control environment of the service provider during the audit process, as required by International Standard on Auditing 402.

- (g) As part of the audit process, the auditor is expected to obtain written representations from management and, where appropriate, those charged with governance, as required by International Standard on Auditing 580.
 - (h) When the external auditor decides to use the work of an entity's internal audit function to modify the nature or timing, or reduce the extent, of audit procedures to be performed directly by the external auditor, the determination shall be in accordance with International Standard on Auditing 610.
 - (i) In determining whether to use the work of an auditor's expert or the extent to which the work of an auditor's expert is adequate for audit purposes, the determination shall be made in accordance with International Standard on Auditing 620.
6. In evidencing compliance with agreed project financing arrangements, 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, with due attention to economy and efficiency, and only for the purposes for which the financing was provided. Relevant financing agreements include IDA Credit 6331-CV and IDA Credit 6355-CV
 - (b) Counterpart funds have been provided and used in accordance with the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided.
 - (c) Goods, works, and services financed have been procured in accordance with relevant financing agreements,² including specific provisions of the World Bank Procurement Framework.
 - (d) All necessary supporting documents, records, and accounts have been maintained in respect of all project activities, including expenditures reported using Statements of Expenditure (SOE) or Interim Unaudited Financial Statements (IFS) methods of reporting. The auditor is expected to verify that respective reports issued during the period were in agreement with the underlying books of account.
 - (e) The Designated Account is managed taking into consideration the provisions of the financing agreement; and funds disbursed out of the Accounts were used only for the purpose intended in the financing agreement;
 - (f) The project accounts were prepared on the basis of systematic application of the norms of the Accounting Normalization and Financial Reporting System (SNCRF) and provide a faithful image of the Project's financial situation at the end of each fiscal year as well as of the resources received and expenses made during the fiscal year ended on these dates;
 - (g) The project's fixed assets are real and correctly assessed and the project's property right or the beneficiaries over these assets are established according to the financing agreement;

² Depending on the complexity of procurement activities, the auditor may consider involving technical experts during the audit engagement, in compliance with provisions of International Standard on Auditing 620. Consideration of using of the work of experts should be brought to the early attention of the borrower and the World Bank for mutual agreement and appropriate guidance.

- (h) The ineligible expenditures in the request for Designated Account replenishment identified during the audit were reimbursed to the Designated Account. These expenditures will be subject of a separate note in the audit report;

Project financial statements

- 7. The auditor should verify that the financial statements have been prepared in accordance with International Public Sector Accounting Standards. The financial statements of each Project should include:
 - (a) A statement of financial position;
 - (b) A statement of resources (funds received from IDA) and the uses (expenditures incurred during the fiscal year);
 - (c) A statement of financial performance;
 - (d) A statement of changes in net assets/equity;
 - (e) A cash flow statement;
 - (f) A comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements;
 - (g) A statement of Designated Account transactions;
 - (h) Notes, comprising a summary of significant accounting policies and other explanatory notes.

The auditor shall present in the annex of the financial statements a reconciliation of the funds received by the Project coming from the IDA/World Bank on one hand, and the funds disbursed by the IDA/World Bank, on other hand.

Review of Statements of Expenditure and Interim Unaudited Financial Statements

- 8. The auditor is required to audit all SOE/IFS submitted to the World Bank in support of requests for periodic replenishment of the project designated account(s). Expenditures should be examined for eligibility based on criteria defined in the terms of the financing agreement and detailed in the Project Appraisal Document. The auditor should report any ineligible expenditures identified as having been included in withdrawal applications and reimbursed.

Review of designated accounts

- 9. During the audit of the project financial statements, the auditor is required to review the activities of the project's designated account(s). Activities to be examined will include deposits received, payments made, interest earned, and reconciliation of period-end balances.

Audit Reports

Audit opinion

- 10. The auditor will issue an audit opinion on the financial statements. The auditor's opinion shall be based on an evaluation of the conclusions drawn from the audit evidence obtained and shall be expressed clearly through a written report that also describes the basis for that opinion. The audit report shall be prepared in accordance with International Standard on Auditing 700.

11. A modified audit opinion shall be rendered in the financial statements when the auditor concludes, on the basis of the audit evidence obtained, that the financial statements as a whole are not free from material misstatement; or the auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement. Modified audit opinions shall be in accordance with International Standard on Auditing 705.
12. The auditor will include emphasis of matter paragraphs or other matter paragraphs in the audit opinion where the auditor, having formed an opinion on the financial statements, seeks to draw users' attention, when in the auditor's judgment it is necessary to do so, by way of clear additional communication in the auditor's report. The paragraphs will refer to either a matter that, although appropriately presented or disclosed in the financial statements, is of such importance that it is fundamental to users' understanding of the financial statements; or as appropriate, any other matter that is relevant to users' understanding of the audit, the auditor's responsibilities, or the auditor's report. This form of opinion will be presented in accordance with International Standard on Auditing 706.

Other audit reports

13. In addition to the audit opinion, the auditor will also, 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 areas of weakness in systems and controls and make recommendation for their improvement;
 - (c) report on instances of noncompliance with the terms of the financial agreement(s);
 - (d) quantify and report expenditures that are considered to be ineligible and either paid out of the designated account(s) or claimed from the World Bank;
 - (e) communicate matters that have come to attention during the audit that might have a significant impact on the implementation of the project;
 - (f) draw to the borrower's attention any other matters that the auditor considers pertinent; and
 - (g) responses from management, including implemented and proposed remedial actions.
14. The auditor's opinion on the financial statements and management letter should be received by the Bank no later than six months after the end of each fiscal year.

General

15. 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, correspondences, and credit account information. The auditor may also seek written confirmation of amounts disbursed and outstanding in the Bank records.
16. The auditor is encouraged to meet and discuss audit-related matters, including input to the audit plan, with the World Bank project task team.
17. It is highly desirable that the auditor reviews the Bank's financial reporting and auditing requirements contained in OP 10.00 Investment Project Financing, Bank Policy: Program for Results Financing, and OP 8.60 Development Policy Lending. The auditor should also be familiar

with the Disbursement Guidelines for Investment Project Financing (February 2017), the Loan Handbook for World Bank Borrowers (February 2017), and the World Bank's Procurement Framework (July 2016).

The Auditor quality

The consultant must be an independent Audit and Accounting Expertise Firm, doing the usual job of the accounts review, regularly registered in the Chartered Accountants Association recognized at the international level by IFAC or FIDEF, having a confirmed experience in financial audit of development projects and acceptable by the IDA.

The mission's key staff shall at least comprise:

- (1) 1 Certified Public Accountant partner responsible of the mission having at least 15 years' experience in financial audit and having good knowledge of the procedures of fiduciary management and audit of projects funded by the World Bank;
- (2) 1 Head of mission having at least a Master Degree in auditing, accounting and possessing at least 10 years' experience in financial audit;
- (3) 2 Juniors having at least a Master Degree in auditing, accounting and possessing at least 3 years' experience in financial audit;
- (4) 1 Procurement specialist possessing at least 5 years' experience in procurement.

Duration

It is expected that the volume of global intervention in terms of budget-time and resources (man-months) will be defined and justified in the auditor's submission. However, the candidates are requested to note that the average in Cabo Verde for similar audits do not generally exceed the 300 man/hour.

Auditor's Qualification

The auditors shall have a vast experience in auditing and shall also have a great knowledge and a previous experience of the World Bank norms and of other donors concerning the audit of projects.

The working language is Portuguese and the reports shall be written as follows: two copies in English or French and one copy in Portuguese.

The auditor will submit the report to the Project Coordinator before June 10 of each fiscal year. This agent will send the audit report accompanied by the financial statements to the Bank including the letter of internal control.