

TERMS OF REFERENCE FOR EXTERNAL AUDIT OF A PROJECT IN THE SECURITY AND JUSTICE REFORM PROGRAMME (SJRP), CSSF NIGERIA

FINANCIAL AUDIT

Purpose of the Audit

1. CSSF wishes to engage suitable qualified auditors to undertake an external review of the financial records of a project in the Security and Justice Reform Programme (SJRP).

The auditors will be contracted to:

- i. Establish whether the project accounts and reports have been prepared in accordance with Generally Accepted Accounting principles (GAAP) and give a true and fair view of the financial situation of the project within the period of implementation.
- ii. Establish whether CSSF funds have been used in accordance with the conditions of the relevant financing agreements, with due attention to economy, effectiveness and efficiency, and only for the purposes for which the financing was provided. The relevant financing agreements (Grant Contracts, Financial Summaries, Management Letters, Work plans (with budgets) and any other relevant documents) will be provided upon hire. and
- iii. Produce complete and accurate financial statements of project revenues and expenditure during the period under review.

SCOPE

Background

The Security and Justice Reform Programme is designed to contribute to a more secure and peaceful Nigeria, with a positive stabilising effect for neighbouring countries and reduced threats to the UK. It will do this by working as part of a broader suite of HMG support for security and justice in Nigeria, to achieve more coherent national security structures, together with more capable and accountable¹ key security and justice institutions, contributing to improved security for, and increased protection of, Nigerian citizens, particularly but not only in the North East.

Requirements

1. The audit will be conducted in accordance with generally accepted auditing standards and will include, as the auditors consider necessary, tests of transactions and of the existence, ownership and valuation of assets and liabilities.
2. The auditors will obtain sufficient and appropriate evidence to enable an understanding of the accounting and internal controls system in order to assess their

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adequacy as a basis for the preparation of **quarterly narrative and financial reports submitted** to CSSF Nigeria and to establish whether proper accounting records have been maintained.

Audit Approach

3. The auditor's work should include sufficient tests to establish whether:
 - i. An adequate budgetary control system is in place to monitor actual expenditure against budget lines on a regular basis and to take effective remedial action as necessary, with adequate segregation of duties in the maintenance and review of accounts and the performance of reconciliations;
 - ii. Expenditure of CSSF funds managed by the project implementer has been disbursed and used in accordance with the CSSF Grant Contract and other relevant agreements, with due attention to economy and efficiency, and only for the purposes for which the funds were provided (confirmation of the amount of funds disbursed and outstanding balances should be provided directly to the auditors by CSSF);
 - iii. Goods and services financed by CSSF funding have been procured in accordance with the relevant financing agreements and with due regard to agreed procurement best practice;
 - iv. Inventories and assets registers are complete and accurate and the existence and ownership of assets and stock is regularly verified by physical checks to ensure that they are being used for the intended purposes of the project;
 - v. All necessary supporting documents, records, and accounts have been kept in respect of all expenditure reports. Clear linkages should exist between the books of account and reports presented to CSSF.
 - vi. Financial reports to CSSF give a complete and accurate view of financial support to the project from other partners and donors;
 - vii. Records of transactions include accurate information regarding any variations in currency exchange rates, where relevant;
 - viii. Expenditure of project funds has been approved at the correct level of delegated authority. This includes initial approval to incur expenditure and the payment of claims, invoices, salaries, allowances and any other items of expenditure charged to the project budget.

Audit Report

4. The auditors will be required to report to the **CSSF Nigeria Security and Justice Adviser** and **CSSF West Africa Finance and Compliance Manager** through westafricaconflictajuja@fco.gov.uk

6. The auditors will produce a draft audit report within **10 days** of commencement of the audit. The final report will include management comments on the auditor's findings and recommendations and will be provided 5 days after the draft.

7. The auditors will give details of locations visited and the relative size of samples tested. The audit report should provide a clear expression of opinion on the management of the Project and on compliance with the funding agreement with CSSF. It should also state the basis of the auditor's opinion. If the auditors give a qualified opinion the factors leading to the qualification should be given.

8. Besides an opinion on the project financial statement, the report should include a separate paragraph commenting on the accuracy and propriety of expenditure of CSSF funding and the extent to which CSSF can rely on the implementer's financial reports as a basis for funding disbursements.

9. Give an opinion on the potential for fraud and corruption in implementation of the project, and provide details of any actual fraud or corruption incidents during the period under review and the value of possible losses.

10. The Project Financial Statement should include:

- i. A summary of Sources and Uses of funds showing the sources of CSSF and counterpart funds separately and the uses of funds by disbursement category, both for the current fiscal year and accumulated to date;
- ii. A Statement for Uses of Funds by Project Activity showing expenditures of the project under each of the main project component and sub-component headings;
- iii. A separate note of any ineligible expenditure identified during the review;
- iv. An annex to the Project Financial Statements, the auditors should prepare reconciliation between the amounts shown as received by the project from CSSF and that confirmed as being disbursed by CSSF. As part of that reconciliation, the auditor should indicate the mechanism for the disbursement e.g. direct/ indirect reimbursement, direct/ indirect expenditures.

Management Letter

11. In addition to the audit report, the auditor will prepare a "management letter" by **(5 days after draft)**, in which the auditor will:

- i. Give comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;
- ii. Identify specific deficiencies and areas of weakness in systems and controls. This will be shared with the implementer to communicate areas of development should they seek to get future funding from CSSF.

- iii. Report on the degree of compliance with the financing agreement and give comments, if any, on the internal and external matters affecting such compliance;
- iv. Communicate matters that have come to auditors attention during the audit which might have a significant impact on the implementation of the project; and
- v. Bring CSSF to the attention of any other matters that the auditors consider pertinent.

Contract Duration

12. The audit is scheduled to commence on the 9th of April 2018 for a period of 15 working days (This includes field work and report submissions). All final reports should be finished by the 27th of April 2018. Deadline for submission of ITT is 13th March 2018.