



Ministry of the Environment and Natural Resources

The Department of Environmental Planning and Protection

TERMS OF REFERENCE FOR A PROJECT FINANCIAL STATEMENTS AUDIT

Introduction

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

Objective

1. 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

2. 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

3. 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.

4. 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 thereto, 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.
5. 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.
6. 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

7. 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

8. The auditor will issue an audit opinion on the financial statements.
9. 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. Quantity 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

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

General

11. 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.
12. 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

Meeting the Challenges of 2020 in The Bahamas – GEF2020

Project Background

The Bahamas is a country of over 700 islands and cays. Its topographical construct of limestone has developed a distinct environment for The Bahamas comprised of numerous irreplaceable habitats and species, including vast expanses of Caribbean pine forest, tidal flats with thriving bonefish populations, extensive barrier reefs, the highest concentration of blue holes in the Western Hemisphere, and critical fish nursery habitat believed to contribute significantly to fisheries stocks throughout the Caribbean region.

Even prior to The Bahamas becoming signatory to the Convention on Biological Diversity in 1993, The Bahamas has been involved with the conservation and preservation of nature. The Bahamas established the world's first land and sea park in 1958 with the Exuma Cays Land and Sea Park. That initiative was further enhanced when the Government of The Bahamas doubled the existing protected area network in 2002, and in 2008 committed to protecting 20% of the country's nearshore and marine habitat by 2020 as part of the Caribbean Challenge Initiative (CCI). The CCI was accomplished as of May 2019, and currently The Bahamas has a Protected Areas Network of more than fourteen (14) million acres.

With that in mind, 'Meeting the Challenge of 2020 in The Bahamas' seeks to strengthen and integrate Marine Protected Areas (MPAs) management into broader landscape planning in efforts to reduce pressures on ecosystem services and biodiversity from competing resource uses. The project aims to accomplish this by: improving financial sustainability and effective management of the national ecological infrastructure; preventing, controlling and managing invasive alien species; managing human-biodiversity interfaces and promoting the timely development, demonstration and financing of low-carbon technologies and mitigation options.