

Project ID No. P148537

**TERMS OF REFERENCE
FOR THE AUDIT OF THE MODERNIZATION
OF GOVERNMENT SERVICES PROJECT**

**FOR THE AUDIT REFERENCE PERIOD
*January 1st - December 31st, 2019***

IDA Credit No.6126-MD
IBRD Loan No. 8774-MD
Government Contribution

I. Background

Country background

The Government of Moldova is determined to fundamentally change the way how public services are provided in Moldova through a variety of interventions for modernization of service delivery, which combat corruption, foster a customer care culture, enhance access, as well as increases efficiency in the Moldovan public administration.

The Government of Moldova has requested the World Bank's assistance for a Public Administration Reform (PAR) operation, planned for delivery in FY17 – FY23 (Modernization of Government Services Project –MGSP). Major results of the operation include better quality, accessibility, and increased efficiency of selected government administrative services.

The MGSP aims to achieve improvements in access, efficiency and quality of delivery of selected administrative services through the following four components:

1. Administrative Service Modernization

The key activities under this component focus on re-engineering a group of government to citizen and government to business administrative services, piloting of one-stop-shops for public service delivery in selected locations and explore the possibility of rolling out at national level; increased awareness of citizens on public services and availability of e-services

2. Digital Platform and Services

The main objective of this component is to digitize select re-engineered government services; complete and strengthen a common infrastructure and mechanisms for rapid deployment of ICT-enabled public services; introduce government wide IT Management and Cyber Security standards and procedures. It will finance the acquisition of additional shared computing infrastructure elements, digitization of services needed to deliver government services electronically and development of IT Management and Cyber Security standards and procedures as well as learning management system to mainstream them within the government.

3. Service Delivery Model Implementation

The objective of this Component is to ensure that the institutional capabilities of key government agencies are aligned with and support the new model of public services delivery. Technical assistance will be provided to all institutions responsible for the delivery of public services re-engineered and digitized under MGSP, as well as partner entities participating in Unified Public Services centers (CUPS) pilots. The Component will also address the capabilities of structural units in the government responsible for public services modernization reform management and coordination.

4. Project Management

This Component will finance project implementation unit (PIU), based in e-Governance Agency and will co-finance the core e-Governance Agency management team.

II. Objective of the assignment

The objective of the audit of the project financial statements (PFS) is to enable the auditor to express a professional opinion on the project's financial position as at the end of **Audit Reference Period** 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 the project.

Responsibility for preparation of financial statements

The responsibility for the preparation of financial statements including adequate disclosure is that of the project's management. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of the project.

III. Scope of Work

The audit will be conducted in accordance with [International Standards on Auditing](#) (ISA) published by the International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC), with special reference to ISA 800 (Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks) and to relevant World Bank guidelines. 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.

*The expenditures and the total number of transactions for the **Audit Reference Period**:*

- Expenditures (IDA credit) – USD 792,781.59

In complying with ISA, 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: The Auditor's Responsibilities Relating to 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 to those charged with governance of an entity as required by [International Standard on Auditing 260: Communication of Audit Matters with those Charged with Governance](#).
- d) The auditor should communicate appropriately to those charged with governance and management deficiencies in internal control that the auditor has identified in an audit of financial statements as required by [International Standard on Auditing 265: Communicating Deficiencies in Internal Control to Those Charged with Governance and Management](#).

- e) 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 Responses to Assessed Risks](#).
- f) In instances where 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: Audit Considerations Relating to an Entity Using a Service Organization](#).
- 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: Written Representations](#).

In evidencing compliance with agreed project financing arrangements the auditor is expected to carry out tests to confirm that:

- a) a) External funds have been used in accordance with the conditions of the relevant general conditions, relevant advance, financing and loan agreements, with due attention to economy and efficiency, and only for the purposes for which the financing was provided. Relevant general conditions and financing agreements are the “Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility” dated July 31, 2010, “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010 and “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012.
- b) Counterpart funds have been provided and used in accordance with the relevant general conditions, relevant financing agreements, and only for the purposes for which they were provided;
- c) Goods and services financed have been procured in accordance with the relevant general conditions and relevant advance, financing and loan agreements¹, including specific provisions of the World Bank Procurement Guidelines²;
- d) Necessary supporting documents, records, and accounts have been kept in respect of all Project ventures including expenditures reported via Summary Report or Statements of Expenditures (SOEs) (or Interim Un-audited Financial Reports (IFRS)) if used as the basis of disbursement), or Designated Accounts (DAs). The auditor is expected to verify that respective reports issued during the period were in agreement with the underlying books of account;
- e) Where Designated Accounts have been used, they have been maintained in accordance with the provisions of the relevant general conditions and relevant financing agreements;
- f) Review the compliance on each of the financial covenants contained in: Financing Agreement, Credit Number 6126-MD, and, if only and where applicable, Loan Agreement, Loan Number 8774-MD, dated November 28th, 2017; and local legislation on Government contribution for the ***Audit Reference Period***.

¹ Depending on the complexity of procurement activities, the auditor may consider involving technical experts during the audit engagement. In cases where such experts are involved, the auditor is expected to comply with provisions of [International Standard on Auditing 620: Using the Work of an Expert](#). Consideration to use 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.

² See [‘Guidelines: Procurement of Goods, Works, and NonConsulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers,’](#) dated January 2011, revised July 2014; [‘Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers,’](#) dated January 2011, revised July 2014.

Project Financial Statements

The Project Financial Statements should include

- a) A Summary of Funds received, showing the World Bank, Project funds from other donors, and counterpart funds separately.
- b) A Summary of Expenditures shown under the main project headings and by main categories of expenditures, both for the current fiscal year and accumulated to-date;
- c) A Summary of Summary Reports or SOEs used as the basis for the submission of withdrawal applications;
- d) A Statement of Designated Accounts; and
- e) A Balance Sheet showing Accumulated Funds of the Project, bank balances other assets of the Project, and liabilities, if any.

[The explanatory notes should include reconciliation between the amounts shown as "received by the project from the World Bank" and that disbursed by the Bank and a summary of movements on the project's Designated Account.]

Summary Reports or Statement of Expenditures

The auditor is required to audit all Summary Reports or SOEs and IFRS 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 advance, financing and loan agreements and detailed in the Project Appraisal Document. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed, they should be separately reported.

The Project Financial Statements should include a schedule listing of individual Summary Reports or SOEs withdrawal applications by specific reference number and amount.

The auditor should pay particular attention as to whether:

- a) the Summary Reports or SOEs have been prepared in accordance with the provisions of the relevant financing agreement.
- b) expenditures have been made wholly and necessarily for the achievement of project objectives.
- c) information and explanation necessary for the purpose of the audit have been obtained;
- d) supporting records and documents necessary for the purpose of the audit have been retained, and
- e) the Summary Reports or SOEs can be relied upon to support the related withdrawal applications.

Designated Accounts

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 and reconciliation of period-end balances.

The auditor should pay particular attention as to the compliance with the Bank's procedures and the balances of the Designated Accounts at the end of the fiscal year or **Audit Reference Period** and the adequacy of internal controls for this type of disbursement mechanism.

IV. Audit Reports

The auditors will issue an audit opinion on the Project Financial Statements.

In addition to the audit opinion, the auditor will prepare a "management letter," in which the auditor will:

- a) provide comments and observations on the accounting records, systems, and controls that were examined during 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 non-compliance 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 which have been claimed from the World Bank;
- e) communicate matters that have come to their attention during the audit which might have a significant impact on the implementation of the project;
- f) bring to the borrower's attention any other matters that the auditor considers pertinent; and
- g) include management's comments in the final management letter.

The draft of the auditors' report (financial statements, including the audit opinion, and management letter) should be submitted not later than May 2020 and the final version of the signed report (3 originals in English) not later than mid-June 2020.

Public Disclosure

In accordance with "The World Bank (the Bank) Policy on Access to Information" dated July 1, 2010 for Bank-financed operations for which the invitation to negotiate is issued on or after July 1, 2010, the Bank requires that the borrower makes the audited financial statements publicly available in a timely fashion and manner acceptable to the Bank. In addition, following the Bank's formal receipt of these financial statements from the borrower, the Bank makes them available to the public in accordance with this policy.

Management Letters, special audits (i.e. whose nature is not financial), and unaudited financial statements (e.g. Interim Financial Reports) are not considered to be a part of the definition of the audited financial statements for the purposes of disclosure.

Only in exceptional cases the Bank may agree – i.e., when the audited financial statements contain proprietary or commercially sensitive information – that the borrower or designated project entity may be exempted from disclosing the full set of audited financial statements but is still required disclosing an abridged version of them in a form acceptable to the Bank. Exceptions are approved by World Bank management.

General

The responsibility for the preparation of financial statements including adequate disclosure is that of the management of the **Public Institution E-Governance Agency**. 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.

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.

The auditor is encouraged to meet and discuss audit related matters including input to the audit plan with the World Bank project task team.

It is highly desirable that the auditor become familiar with the relevant World Bank guidelines, which explain the Bank's financial reporting and auditing requirements. These guidelines include:

- Reference Material to the Financial Management Manual for World Bank-Financed Investment Operations (March 2010): *RM 3 - Financial Reporting and Auditing*;
- [Disbursement Handbook for World Bank Clients](#), dated February 2017 (available on Client Connection web site);
- [Disbursement Guidelines for Projects](#), dated May 2006 (available on Client Connection web site).
- [Guidelines: Procurement Under IBRD Loans and IDA Credits](#), dated January 2011 (revised July 2014).
- [Guidelines: Selection and Employment of Consultants by World Bank Borrowers](#), dated January 2011 (revised July 2014).

This term of engagement will remain effective for future fiscal years unless it is terminated, amended or superseded.

The auditor should understand that working papers under World Bank project can be subject to the review by Client's and/or World Bank designated staff.

V. Timing

This assignment is expected to start in **April 2020**. Subject to Consultant's satisfactory performance and the same rates, the contract may be extended for subsequent years.

VI. Institutional arrangements

The Consultant will report to and work under the direct supervision of the Chief Administrative Officer.

VII. Qualification requirements

The Consultant shall be an Audit firm included in the *List of World Bank's ECA Region Eligible Audit Firms updated as of December 20, 2017*, and meet the following qualification requirements:

Company's general experience

- Experience in auditing donor funded projects comparable in size and complexity;
- Experience with IFAC standards, in particular International Standards on Auditing;

Company's experience in similar assignments

- At least five (5) years of consistent audit experience with World Bank funded and/or administered projects;
- Experience of auditing at least two (2) World Bank funded projects comparable in size and complexity;

The Consulting Firm will provide a team of experts with the following qualifications:

Team Leader

- University degree in auditing/finance/accounting or other related area such as professional certification in accounting/auditing;
- Professional Qualification as a Certified Accountant or equivalent is desirable;
- At least 5 years of professional experience in the audit area (including supervisory and management experience);

- Demonstrated experience and knowledge in the audit of the World Bank projects;
- Knowledge of the World Bank procurement procedures;
- Fluency in written and spoken English. Knowledge of Romanian and/or Russian languages would be considered an asset.

Senior Auditor

- University degree in auditing/finance/accounting or other related area such as professional certification in accounting/auditing;
- At least 3 years of professional experience in the audit area;
- Professional Qualification as a Certified Accountant is desirable;
- Demonstrated experience and knowledge in the audit of the World Bank projects;
- Knowledge of the World Bank procurement procedures;
- Fluency in written and spoken English, and Romanian or Russian languages is required.

Auditor

- University degree in auditing/finance/accounting or other related area such as professional certification in accounting/auditing;
- At least 2 years of professional experience in the audit area;
- Experience in the audit of the World Bank projects will be considered an advantage;
- Fluency in written and spoken English, and Romanian or Russian languages is required;