



WEST AFRICAN HEALTH ORGANIZATION
ORGANISATION OUEST AFRICAINE DE LA SANTE
ORGANIZAÇÃO OESTE AFRICANA DA SAÚDE

TERMS OF REFERENCE FOR THE AUDIT OF THE PHARMACEUTICAL INDUSTRY DEVELOPMENT PROJECT IN THE ECOWAS REGION FOR THE FINANCIAL YEARS 2025 (starting in May 2025) TO 2027 INCLUDING THE CLOSING PERIOD

1.0 CONTEXT

1.1 In response to the critical challenges posed by the COVID-19 pandemic, particularly the increased reliance on pharmaceutical imports, the ECOWAS Commission sought and obtained financing from the African Development Bank (AfDB) for the Pharmaceutical Industry Development Project in the ECOWAS region, amounting to 2.5 million Units of Account (UA) over a two-year period. A parent agreement was signed between the AfDB and the ECOWAS Commission, acting as the beneficiary of the financing. A subsidiary agreement was also signed between the ECOWAS Commission and the West African Health Organization (WAHO), responsible for the operational implementation of several project components.

1.2 The objective is to develop a robust pharmaceutical sector that will ensure increased local manufacturing of high-quality, safe, and accessible essential medicines for the region's inhabitants. The specific objectives are as follows: (i) To provide support for the implementation of the zero tariff regulation on pharmaceutical raw materials, packaging, and finished products within the ECOWAS TEC; (ii) To develop an effective regional pharmaceutical regulatory ecosystem by providing regional drug regulatory authorities with gender-responsive technical and capacity-building programs; (iii) To increase the competitiveness of the industry by improving quality standards, continuously improving products, increasing production and distribution efficiency, creating jobs, and strengthening sales and marketing efforts; (iv) To ensure that the region adheres to global manufacturing practices in the local production of pharmaceutical products and supplies; and (v) To strengthen the capacity of regional training institutions and laboratories to ensure that the necessary skills are available to support the growth of the gender-diverse industry in the region.

1.3 The project comprises four (4) components: (i) Institutional support for the development of the ECOWAS pharmaceutical sector; (ii) Capacity building and advisory services for the ECOWAS pharmaceutical sector; (iii) Gender integration into the ECOWAS pharmaceutical project; and (iv) Project management and coordination.

1.4 A Memorandum of Understanding signed between the African Development Bank and ECOWAS designates the latter as the project beneficiary. A subsidiary agreement signed between ECOWAS and WAHO designates the latter as the project implementing agency. AfDB financing for project implementation is transferred to an account opened by ECOWAS. An account opened for ECOWAS receives the funds made available by the AfDB for project implementation. WAHO has also opened an account detailing the funds received from ECOWAS for the implementation of project activities.

Disbursement Level:

1.5 The African Development Bank (AfDB) has committed a total of UA 2,500,000, or US\$3,500,000, to strengthen the development of the pharmaceutical industry in West Africa.

1.6 The maximum amount for project implementation during the specified period is US\$3,563,000, mostly used for payments for consulting services, meetings, and training workshops.

1.7 Nearly half of the expenditures are paid directly by the AfDB.

1.8 The first audit mission will cover the period May 2025 – December 2026, and the second and final mission will cover the period January – December 2027, with the closing period extending to March 31 at the latest. The deadline for completing each audit is set at a maximum of 45 calendar days for each mission. The second and final mission is the closing mission.

OBJECTIVES OF THE AUDIT OF OPERATIONS

2.1 In conducting the engagement, the auditor's overall objectives are as follows:

a) To obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error; to obtain an opinion to determine whether the financial statements have been prepared, in all material respects, in accordance with the applicable financial reporting framework;

b) To obtain reasonable assurance that the project's accounting records form the basis for the preparation of the project's financial statements (PFS) by the project implementation unit and are prepared to accurately reflect the project's financial transactions; and that the project implementation unit has implemented appropriate internal controls while maintaining supporting documentation for all transactions.

c) To express an independent professional opinion on the project's financial position, to verify that the project funds have been used for their intended purpose and in accordance with the terms of the loan/grant agreement;

d) Obtain reasonable assurance regarding the achievement of the project or program objectives by ensuring that the project's physical outputs correspond to the funds disbursed and the disbursement

schedule; the project or program technical report provides sufficient information and data to enable users to fully assess the project's outputs; and

e) Report on the financial statements and communicate its own findings as required by auditing standards.

3.0 STAKEHOLDER RESPONSIBILITIES

3.1 PROJECT MANAGEMENT: The responsibility for preparing the Financial Statements, including the publication and preparation of the technical progress report, lies with the Project Implementation Unit (PIU). The PIU is also responsible for:

- a) Selecting and applying accounting principles. The PIU prepares the Financial Statements in accordance with International Public Sector Accounting Standards (IPSAS).
- b) The implementation of internal control procedures that enable the preparation of financial statements free from material misstatement resulting from fraud or error;
- c) The implementation of technical project activities and the preparation of technical project progress reports; and
- d) Providing the auditor with:
 - i. Access to all information deemed relevant to the preparation of the financial statements, including files, documentation, and other matters;
 - ii. Additional information that the auditor may request from management for the purposes of the audit;
 - iii. Access to all project or program implementation sites for physical inspection and assessment of project or program progress, at least during the second and final audit; and
 - iv. Unrestricted access to individuals within the entity from whom the auditor deems it necessary to obtain audit evidence.

3.2 AUDITORS: The auditor is responsible for forming an opinion on the project's financial statements.

- a) The auditor conducts the audit in accordance with International Standards on Auditing (ISAs) issued by the International Board on Auditing and Assurance Standards (IAASB).
- b) In accordance with these standards, the auditors request the implementing unit to confirm in writing the representations made during the audit, including the maintenance of an adequate internal control system for the project or program, as well as acceptable documentation of all financial transactions and the preparation of financial statements.

4.0 SCOPE OF THE AUDIT

4.1 The audit will be conducted in accordance with the standards indicated in paragraph 3.2 above and will include the tests and verification procedures that the auditor considers necessary in the circumstances.

4.2 To demonstrate compliance with the agreed provisions and requirements for the financial management of projects or programs, the auditor should perform tests to confirm that:

(a) All funds, including counterpart funds and other external funds (in the case of co-financing), have been used effectively and efficiently in accordance with the terms of the financing agreement(s) and solely for the purposes for which they were provided;

(b) All funds, including counterpart funds and other external funds (in the case of co-financing), have been used effectively and efficiently in accordance with the terms of the financing agreement(s) and solely for the purposes for which they were provided;

(b) The acquisitions of financed goods, works and services were carried out in accordance with the provisions of the financing agreement in question and were properly recorded in the accounting books;

(c) All appropriate supporting documentation, documents, and accounting records relating to the activities of the project or program are maintained. The auditor is expected to verify that all financial reports prepared and published during the period under review were prepared in accordance with the corresponding accounting records;

(d) Special accounts (if any) are maintained in accordance with the provisions of the relevant financing agreement and the Bank's rules and procedures for disbursements, and funds disbursed from special accounts are used for the purposes specified in the financing agreement;

(e) The financial statements have been prepared and approved by the project or program management in accordance with the applicable accounting framework;

(f) National laws and regulations (including national public financial management systems) have been complied with, and the financial and accounting procedures approved for the project (including the accounting and procedures manual, etc.) have been followed and used;

(g) The fixed assets of the project or program exist and have been properly valued, and the ownership rights of the project or program or the beneficiaries in these assets have been established in accordance with the loan agreement;

(h) Ineligible expenditures have been clearly identified and reimbursed from the special account;

(i) The physical progress of the project or program: (i) corresponds to the funds disbursed,

(ii) is technically consistent with the project or program studies, and (iii) adheres, as far as possible, to the planned schedule; and

(j) Determine whether beneficiaries have received the benefit of payments made into the special account for goods purchased, work performed, and services provided.

4.3 The internal control assessment shall include the following steps:

- i. Analyze the effectiveness of controls in the payment process for the acquisition of goods, work, and services for the period under review, based on a representative sample;
- ii. Analyze the effectiveness of controls in the project or program procurement process, based on a representative sample;
- iii. Assess the effectiveness of controls (including the existence of appropriate safeguards such as insurance) for assets financed by the project or program and ensure that they are used for their intended purposes;
- iv. Evaluate the effectiveness of good practices in the use of fixed assets and other project or program resources.

4.4 In accordance with international auditing standards, auditors should pay attention to the following:

Fraud and corruption: In accordance with ISA 240 (Auditor's obligations regarding fraud in an audit of financial statements), auditors must identify and assess risks related to fraud, obtain or provide sufficient evidence of the analysis of these risks, and properly assess identified or suspected risks.

- Legislation and regulations: In preparing for the engagement and during the execution of audit procedures, the auditor must assess compliance with the provisions of laws and regulations that could have a material impact on the financial statements, as required by ISA 250 (Consideration of laws and regulations in an audit of financial statements). In this regard, the auditor will ask management whether the entity is subject to any pending or ongoing legal proceedings and will assess their impact on the financial statements, resources, and development objectives of the program or project.
- Governance: Communicate with those responsible for corporate governance on significant audit matters related to governance, in accordance with ISA 260 (Communication with Those Responsible for Corporate Governance);
- Risks: To reduce audit risks to a relatively low level, auditors apply appropriate audit procedures and correct any misstatements or risks identified during their evaluation. This procedure is in accordance with ISA 330 (Auditor's Responses to Assessed Risks).

5.0 FINANCIAL STATEMENTS

5.1 The auditor verifies that the financial statements have been prepared in accordance with the agreed accounting standards (see paragraph 3.2 above) and presents a true and fair view of the project's financial position at the relevant date.

5.2 For the purpose of presenting the financial statements, the auditor must verify and ensure that the financial statements have been presented using the borrower's functional currency. Where the

functional currency is not used for the presentation of the financial statements, a full currency conversion is required. The auditor must obtain from management the reasons for using a currency other than the functional currency in the presentation of the financial statements.

5.3 The financial statements of the project or program will be prepared by the project or program managers in accordance with the applicable financial reporting framework and will include the following:

i) A balance sheet showing the funds accumulated by the project or program, cash balances, and other assets and liabilities of the project or program at the end of each financial year;

(ii) Statement of income and expenditure for the fiscal year and cumulative amounts since the start of the project;

(iii) Statement of income and expenditure for the fiscal year and cumulative amounts since the start of the project for each fiscal year;

(iv) Notes to the financial statements describing the applicable accounting principles and a detailed analysis of the principal accounts.

5.4 The report must include the following as an appendix to the aforementioned financial statements:

(a) A reconciliation statement between the amounts shown under the heading “Funds Received from the Bank” and those disbursed by the Bank. This reconciliation statement must specify the disbursement methods, namely, special account, direct payment, guarantee of repayment, or a repayment method that establishes a correspondence between the disbursement methods and those recommended in the evaluation report and the disbursement letter.

(b) A reconciliation statement for the special account showing the amount received from the Bank, the amount justified to the Bank, ineligible expenditures incurred, the amount to be justified, and the bank balance. For the final audit, the project financial statements must be accompanied by the reconciliation statement for the special account using the format shown in Appendix 12 of the Bank's Disbursement Manual.

(c) The section of the fixed asset register presents a comprehensive list of all fixed assets acquired using project resources. The list should include information such as the acquisition date, the acquisition cost, unique identification marks/labels, the location, the date of verification, the condition, and other relevant observations.

6.0 SPECIAL AND OTHER BANK ACCOUNTS OF THE PROJECT OR PROGRAMME

6.1 The auditor shall review all documentation relating to the use of the special account to ensure that:

- a) All statements of expenditure (SOE) and reconciliation statements relating to the special account submitted for renewal correspond to the relevant information;
- b) The internal control surrounding the use of the special account is sufficiently reliable to justify the ongoing requests for renewal;
- c) For each audit engagement, based on the outstanding balance reported by the Bank at the end of the fiscal year, the borrower shall make available to the auditor, for the audit in question, the corresponding statement of expenditure justifying the use of the amount not accounted for in the Bank Group's books.
- d) The auditor is required to review the expenditure statements, the special account reconciliations, and the supporting documentation, and to report on their reliability and objectivity in the letter to management. Any discrepancies—if any—are also noted in this letter. The expenditure statements and the special account reconciliation are attached to the financial statements in the auditor's report.
- e) All transfers of funds between the special account and other project bank accounts, and between all project bank accounts (including the special account) and non-project accounts during the fiscal year, must be documented.
- f) For the final audit engagement, the auditor shall determine whether all procedures for closing the special account have been followed, including: the submission of all expenditure statements relating to the use of the special account resources, the transfer of any unused balances to the Bank, the closure of the special account, and the final reconciliation statement for the special account attached to the report, in the format specified in Appendix 12 of the Bank's Disbursement Manual.

6.2 Counterparty Contribution: The auditor shall review the counterparty contribution to ensure that:

- (a) the agreed cash contributions have been entered in the central government's annual budget and disbursed on time for the project or program;
- (b) the counterparty resources have been used for the purposes intended by the project or program; and
- (c) there is an adequate basis for valuing the in-kind counterparty contribution for inclusion in the financial statements.

7.0 TECHNICAL REVIEW

7.1 In accordance with ISA 620, the auditor shall verify the physical progress of the project to ensure that:

- a) the deliverables described in the technical progress reports physically exist and conform to the required and agreed technical specifications.

- b) the costs of these activities are in line with the project or program estimates for these activities;
- c) the scheduled completion dates correspond to the agreed life of the project or program.

8.0 AUDIT REPORT

8.1 The audit report shall include (i) a report on the financial statements, and (ii) a letter to the WAHO management to be provided in two (2) hard copies and one (2) electronic copies on a USB drive.

a) The report on the financial statements shall consist of the following:

- i. The auditor's opinion on the financial statements of the project or program; and
- ii. The complete financial statements for the project or program and other relevant documents, as indicated in section 5.3 above.

(b) In addition to the report on the financial statements, the auditor will also communicate with management, but not be limited to, the following:

- i. Provide comments on the accounting records, procedures, mechanisms, and controls examined during the audit;
- ii. Identify deficiencies and weaknesses in the control system and make recommendations for improvement;
- iii. Report on the level of compliance with each of the financial clauses of the loan or grant agreement and comment, where applicable, on internal and external issues affecting compliance. Assess the significance of, and report on, any ineligible expenditures paid through the special account or claimed from the Bank by the borrower;
- v. Report on the project's progress and provide appropriate observations, where applicable, on internal and external factors affecting the implementation and achievement of the project's or program's expected results;
- vi. Report on the quality of the project's or program's deliverables (overall conformity to specifications and expectations) and provide observations and recommendations, where applicable, on ways to improve performance;
- vii. Report on the progress of implementation in accordance with the project's or program's lifespan and provide observations, where applicable, on internal and external factors affecting the project's or program's likely completion;
- viii. Report on the effectiveness of special account management (including ensuring strict compliance with the requirements set out in the Disbursement Manual, etc.). For the specific case of the final project audit, indicate the progress made by project or program managers to clear all

unjustified balances in the special account, close the special account, and transfer any unused balance to the Bank.

ix. Report on the progress of implementing the recommendations made in the audit reports for previous fiscal years;

x. Raise any issues that came to their attention during the audit and that could have a significant impact on the implementation and sustainability of the project or program; and

xi. Bring to the borrower's attention any other matters they deem relevant.

8.2 The letter to management will include feedback/observations from the project/program management team on the recommendations and weaknesses identified by the auditor.

9.0 REVIEW OF THE AUDIT REPORT

9.1 The Bank will follow its internal review processes and undertake a comprehensive review of the audited PFS and the letter to management and will communicate its observations and relevant recommendations to the borrower, including those concerning the admissibility of the audited PFS.

9.2 If the audit is conducted by a private auditor, the audit fees will be paid directly after the Bank has reviewed, approved, and accepted the audit report.

9.3 The Bank reserves the right to request and review the audit working papers and any other information related to the work performed by the auditor as part of the internal review process to determine the admissibility of the audit report.

10.0 GENERAL INFORMATION

10.1 The audit report must reach the implementing body no later than the date agreed upon in the audit contract to allow for its submission to the Bank within the timeframe stipulated in the legal/financing agreement.

10.2 The auditor must have access to all legal documents, correspondence, and any other information relating to the project or program that they deem necessary. Furthermore, the auditor must obtain direct confirmation from the Bank of the outstanding amounts disbursed.

10.3 The auditor must have access to all project or program implementation sites and to all project or program activities to conduct physical inspections and technical assessments as required.

10.4 As part of the audit engagement, it is recommended that the auditor obtain the following documents, which may have been prepared by the Bank or by the project/program managers:

(a) General terms and conditions applicable to loan, grant, and guarantee agreements;

(b) Specific terms and conditions, if any;

- (c) Loan/Grant Agreement;
- (d) Project or program evaluation report
- (e) Financial management policy for operations financed by the Bank Group;
- (f) Financial management manual;
- (g) Disbursement manual;
- (h) Memorandum and official communications with the Bank;
- (i) Rules for the procurement of works, goods, and services;
- (j) Technical implementation studies for the project or program;
- (k) Project/program operations manual;
- (l) Statements of expenditure used to request/justify the renewal of special accounts and the special account reconciliation statement;
- (m) Interim financial reports prepared in accordance with disbursement or financial reporting requirements;
- (n) Technical progress report for the project/program;
- (o) Internal audit reports.

10.5 The auditor is encouraged to meet with the Bank's project or program team at the beginning and end of the engagement and to discuss audit-related matters with them.

11.0 AUDITOR EXPERIENCE AND QUALIFICATIONS

11.1 The auditor must be registered with a nationally or regionally recognized professional accounting body. They must have proven experience in accounting and financial auditing of development projects/programs, particularly those funded by donors.

11.2 The key personnel of the audit engagement must include at least the following positions:

- (a) Audit Director: A certified public accountant (CA, ACCA, CPA, etc.) duly registered with a national or regional professional accounting body, with at least ten (10) years of professional experience in an audit firm. They must have proven experience in financial and accounting audits of projects funded by technical and financial partners. Experience with financing from a regional or international bank would be an asset.

- (b) Audit Supervisor: A chartered accountant (CA, ACCA, CPA, etc.) duly registered with a national or regional professional body of chartered accountants, and with at least five (5) years of professional experience in an audit firm. They must have proven experience in financial and accounting audits of projects funded by technical and financial partners. Experience with financing from a regional or international bank would be an asset.
- (c) Senior Auditor: A trainee-charted accountant duly registered with a national or regional professional body of chartered accountants, and with at least three (3) years of professional experience in an audit firm. The candidate must have proven experience in financial and accounting audits of projects funded by technical and financial partners. Experience with financing from a regional or international bank would be an asset.
- (d) Procurement Auditor: A certified procurement professional (CIPS or equivalent) with at least five (5) years of professional experience conducting procurement audits and/or performing procurement activities in multilateral projects or programs financed by donors.