



**MINISTRY OF FINANCE & THE PUBLIC SERVICE**

**TERMS OF REFERENCE**

**FOR A FIRM TO**

**UNDERTAKE EXTERNAL AUDIT SERVICES**

**April 2019**

**STRATEGIC PUBLIC SECTOR TRANSFORMATION PROJECT**

**IBRD LOAN NO.: 8406-JM**

**Strategic Public Sector Transformation Project: IBRD Loan No. – 8406- JM**



The Auditor General's Department (AuGD) of Jamaica, represented by the Ministry Finance and the Public Service (MoFPS), is seeking an audit/consultancy firm to execute external audit services for various Executive Agencies, Statutory Bodies and Municipal Authorities across Jamaica. The periods to be audited range between the financial years ended March 31, 2005 and March 31, 2018. The audits executed by the consultancy firm should be conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI). The audit work of the consultancy firm will allow the Auditor General to:

- a) express an opinion on the financial statements and state whether these entities have prepared financial statements in accordance with the International Public Sector Accounting Standards (IPSAS), and have complied with the relevant regulatory requirements that govern them;
- b) identify, assess and examine risks to regularity, propriety and financial control and report on significant weaknesses;
- c) provide constructive advice that will help these agencies improve governance, including financial management, control and reporting; and
- d) assess the level of compliance with Government's procurement guidelines

## **1.0 BACKGROUND**

The aggregate unaudited financial statements for Ministries, Departments and Agencies are four hundred and thirty-three (433). Of this amount, approximately one hundred and sixty-three (163) represent the financial statements of Statutory Bodies, Executive Agencies and Municipal Authorities in backlog. The remaining two hundred and seventy (270) backlog statements represent Appropriation Accounts. The Auditor General's Department (AuGD) Strategic Audit Plan for the period 2018 – 2021 indicates that the total number of audits to be undertaken over the three-year period is five hundred and twenty (520); this amount does not include the backlog mentioned previously. Therefore, in order to facilitate compliance with the law for all stakeholders and to improve the public financial management landscape, all the backlog of unaudited financial statements must be cleared. To achieve this, the AuGD will utilize the provision of the law to outsource the external audit function. Outsourcing will enable the AuGD to direct its audit resources to maintain the current stock of audits and prevent a situation emerging where the backlog increases because current audits could not be undertaken. Additionally, AuGD staff will also be able to focus effort on clearing the backlog of Appropriation Accounts.

Section 31 of the Financial Administration and Audit Act and Section 13B (1) of the Public Bodies Management and Accountability Act authorises the Auditor General to engage the services of "any person who is a registered public accountant under the Public Accountancy Act, to inspect, examine or audit the books and accounts of any public body which the Auditor General may require to be examined or audited; and that person shall report his findings to the Auditor General." Section 13B (2) further states, that "in exercise of his duties in relation to public bodies, the Auditor General, or any auditor appointed by the Auditor General shall have like powers as are vested in the Auditor General for the purpose of examining accounts under Sections 25 and 28 of the Financial Administration and Audit Act."

Sections 25 & 28 of the Financial Administration and Audit Act, states:

**“25. Duties of Auditor General.** (7) The Auditor-General may authorize any officer of his department to perform on his behalf any of his functions under this Act or any other enactment, other than the administration of oaths and certifying and reporting of accounts for the House of Representatives.”

**“28. Certification of accounts.** The Auditor General shall examine and certify in accordance with the outcome of his examinations the statements and accounts which are required to be submitted to him in accordance with this Act.”

## **2.0 STRATEGIC PUBLIC SECTOR TRANSFORMATION**

### **STRATEGIC PUBLIC SECTOR TRANSFORMATION PROJECT (SPSTP)**

The Project Development Objective (PDO) of the Strategic Public Sector Transformation Project (SPSTP) is to strengthen public resource management and support selected public sector institutions in facilitating a more enabling environment for private sector growth. The project has six components. This consultancy falls under Component III: Adaptive Public Sector Approaches to Promote Fiscal Sustainability. The components of the SPSTP are:

- Component I: Strengthening the Public Investment Management System
- Component II: Strengthening the Budget Preparation Process & Results-Based Budgeting
- Component III: Adaptive Public Sector Approaches to Promote Fiscal Sustainability
- Component IV: Strengthening Property Tax Compliance and Administration.
- Component V: Fostering Industrial Growth and Trade Facilitation
- Component VI: Project Management

#### **Component III**

The outsourcing of the audits will provide support to the Public Financial Management systems under Component III of the Strategic Public Sector Transformation Project. This component will support activities that will contribute to the sustainability of GOJ's reform process in public administration, fiscal sustainability and growth.

The objective of this component is as follows:

- a) To support measures to institutionalize the process of behavioral change to support new policy processes, provide just in time technical assistance to take into account ad hoc needs of the government; and
- b) To effectively take advantage of opportunities when they arise, to bridge policy and implementation gaps revealed in the course of project implementation.

### **3.0 AUDIT OUTSOURCING PROJECT (AOP)**

The Auditor General's Department is currently seeking to employ the services of an Audit Service Provider to complete the audits of financial statements for entities that are in arrears and have submitted those statements and supporting schedules. The profile of entities with arrears of financial statements comprises statutory bodies, executive agencies and municipal authorities. The engagement of the Audit Service Provider will be for twelve (12) months. Following this, the audit of the accounts will revert to the Auditor General's Department. The responsibility for issuing the audit opinion on the financial statements will reside with the Auditor General. Additionally, the Auditor General's Department will conduct a high-level review of the contracted auditor's working papers and audit process in order to ensure conformance with the Departments policies and International Standards of Supreme Audit Institutions (ISSAIs). The Audit Service Provider will provide access to and copies of all working papers/documentation/information relating to the audit of any entity undertaken under the AOP.

### **4.0 REQUESTS FOR PROPOSALS**

We will invite suitably qualified Audit Services Providers to respond to a Request for Proposal (RFP) for the provision of services to conduct audits of the financial statements of Executive Agencies, Statutory Bodies and Municipal Authorities as listed in the Appendix.

The selection of the firm will be based on the criteria outlined in the Request for Proposal document. The audits must be completed within a period of one year after the award of the contract.

## 5.0 Purpose

The AuGD has embarked on implementing the AOP. To this end, the AuGD is seeking to secure the services of an Audit Services Provider to undertake the total number of backlog audits. The Objective of each assignment is:

- a) To carry out audit work to allow the Auditor General to express an opinion on the financial statements for Executive Agencies, Statutory Bodies and Municipal Authorities and to state whether these entities have complied with the relevant regulatory requirements that govern them;
- b) Identify, assess and examine risks to irregularity, propriety and financial control and report on significant weaknesses;
- c) Provide constructive advice that will help the entities improve governance, including financial management, control and reporting; and
- d) Assess the level of compliance with Government's procurement guidelines.

## USE OF EXPERTS

The need for the use of an auditor's expert may not be necessary for all agencies/entities under the AOP. The Audit Services Provider should make that determination.

ISSAI 1620 defines an auditor's expert as "An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient and appropriate audit evidence. An auditor's expert may be either an auditor's internal expert (who is a partner or staff, including temporary staff, of the auditor's firm or a network firm), or an auditor's external expert".

The Audit Services Providers in determining whether there is a need to utilise an expert in obtaining sufficient and appropriate audit evidence must evaluate the expert's objectivity and shall include inquiries regarding interests and relationships that may create a threat to that expert's objectivity. The Audit Services Providers must take all reasonable steps to ensure that the expert is held accountable for work done in connection with providing the consultant with sufficient and appropriate audit evidence to base the audit opinion on. The cost of expert advice will be borne by the Audit Services Providers

## 6.0 AUDIT SCOPE

### Scope of Work

The Audit Services Provider will be expected to:

1. The financial reporting framework for Public Sector entities consist of a fair presentation framework - International Public Sector Accounting Standards (IPSAS) and the requirements of the enabling legislation for the entity. The Audit Services Provider should audit the accounting records, for the fiscal periods ending March 31<sup>st</sup> of each year. In conducting the audit of the financial statements, the auditor should determine whether the financial statements were prepared in keeping with the requirements of the applicable financial reporting framework.
2. Adopt auditing standards issued by the International Organization of Supreme Audit Institutions (INTOSAI). The Auditor General's Department conducts its audits in accordance with auditing standards issued by INTOSAI. Auditing standards issued by INTOSAI are International Standards of Supreme Audit Institutions (ISSAIs) which are based on International Standards on Auditing (ISA). The reporting responsibilities under ISSAIs are often broader than expressing an opinion on whether the financial statements have been prepared, in all material respects, in accordance with the applicable financial reporting framework. The ISSAIs also require public sector auditors to report on instances of non-compliance with authorities including budgets and accountability frameworks and/or reporting on the effectiveness of internal control. Therefore, in conducting the audit engagement, the Audit Service Provider should comply with the requirements of the ISSAIs for the engagement.

Utilize a risk-based approach to auditing and plan the audit of the financial statements to respond to the risks of material<sup>1</sup> misstatement of transactions and balances; and irregular transactions<sup>2</sup>.

### File Review and Working Paper Access

- a) The AuGD expects that the working paper files will be subjected to the firm's normal review procedures. The AuGD will then conduct a high-level review of the working papers that form the basis of any conclusions arrived at by the consultancy firm. Further, evidence of the AuGD review will be placed in the audit files.
- b) Provide access to and facilitate obtaining copies of all information/documentation obtained in connection with the audit of agencies under the AOP.

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<sup>1</sup> A matter is material if its omission or misstatement would reasonably influence the decisions of users of the financial statements. The assessment of what is material is a matter of the auditor's professional judgement and includes consideration of both the amount and the nature of the misstatement.

<sup>2</sup> Irregular transactions are those which are non-compliant with the regulations that govern them.

## **The Audit Report**

- a) The Audit Services Provider will provide the AuGD with the draft audited copy of the financial statements and auditor's report thereon. Details of the basis for opinion must also be provided to the Auditor General. The Audit Services Provider must also provide to the Auditor General, the Key Audit Matters (KAM) identified as these matters may be included in the Auditor General's Annual Report. Therefore, details of why the matters were considered to be a KAM and how these matters were addressed during the course of the audit must be provided.
- b) The AuGD will request that the auditor provides a draft management letter that outlines the significant management issues discovered during the audit.

## **Available Facilities and Right of Access**

The Audit Services Providers will have access to all the records and documents related to the engagement. The Audit Services Providers will have full and complete access at all reasonable times to all records and documents (including books of accounts, legal agreements, minutes of the board and committee meetings, bank records, invoices and contracts, etc.) and all employees of the entity. The auditors also have a right of access to consultants, contractors and other persons or firms engaged by the audited entity.

## **Key Engagement Team Members**

1. Engagement Partner  
Professional accounting designation such as: Association of Chartered Certified Accountants (ACCA), Certified Public Accountant (CPA), or a Master's Degree in Accounting.  
Ten years' experience in Auditing.
2. Senior Audit Manager  
Professional accounting designation such as: ACCA, CPA, or a Master's Degree in Accounting.  
Five years' experience in Auditing.
3. Audit Manager  
Professional accounting designation such as: ACCA, CPA, or a Master's Degree in Accounting.  
Three – Five years' experience in Auditing.

Audit staff should be assigned to each engagement by the key team members, given their experience and qualifications in managing the respective risks, nature and timing of each engagement. Therefore, the selected firm will have to assess the number audit staff needed to be mobilize to each agency in order to ensure timely completion of the assignment.



## **DELIVERABLES**

The Audit Services Providers will be required to deliver audit reports for each assignment that has been agreed. Each assignment will require the following set of deliverables:

1. Submission of a Detailed Audit Plan which must include as a minimum

- a) Documentation and assessment of Internal Control Environment
- b) Computation of Materiality and Performance Materiality
- c) Planning Analytics
- d) Risk assessment procedures and results
- e) Details of how audit process will be managed and how audit assurance will be obtained for significant components of the financial statements and material classes of transactions, account balances and disclosures.

and an Audit Planning Report within the first 15 working days. **(10% of assignment fee)**

2. Submission of Draft Reports

The firm should submit:

- a) Draft Independent Auditors Report detailing the suggested audit opinion on the financial statements,
- b) Provide a copy of the draft audited financial statements, adjusted trial balance, lead schedules and other supporting working papers.
- c) Draft Management Letter. The Management Letter should at a minimum:
  - i. Provide 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, and make recommendations for their improvement;
  - iii. Report on instances of non-compliance with the applicable laws and guidelines issued by the Government of Jamaica;
  - iv. Communicate matters that have come to the auditor's attention during the audit which might have a significant impact on the operations of the entity
  - v. Bring to the attention of the AuGD and the Management any other matters considered relevant by the auditor. **(40% of assignment fee)**

3. Submission of Final Reports and Final Financial Statements

The firm should submit the final audit report, management letter containing all comments of management to the audit findings and finalized audit working papers **(50% of assignment fee)**

## **INPUT PROVIDED BY IMPLEMENTING AGENCY**

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The AuGD will provide the Audit Services Providers with access to all files including electronic media, letters, contracts and other related documents. The AuGD will also provide all accreditation to stakeholders providing the relevant approval for the release of all files, emails, letters, contracts and other related documents and electronic media.

## **LOCATION AND ASSIGNMENT PERIOD**

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The Audit Services Provider is expected to deliver all the outputs of the consultancy within a period of one year from the date the contract was signed. Agencies are dispersed and within Kingston and St Andrew, while there is a Municipal Authority/Parish Council for each Parish. The address and distance to the various destinations under the Project are provided in Appendix 1.

## **REPORTING, MONITORING AND COMMUNICATION**

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The Audit Services Provider shall report directly to the Auditor General for the Government of Jamaica and will work closely with the Principal Auditors. The Project Management for the AOP who will have day to day oversight of the engagement.

The Audit Services Provider will be responsible for all costs associated with visits to stakeholders to perform the activities, accommodation and logistic support including transportation services required to carry out the assignment.

## **QUALIFICATION AND EXPERIENCE OF THE AUDIT SERVICE PROVIDER**

1. A minimum of five (5) years' experience undertaking audits of Ministries, Departments and Agencies of the Government of Jamaica.
2. A minimum of three (3) audit assignments of MDAs in the last five (5) years.

The composition of the audit team must include the following key experts:

### Key Engagement Team Members

1. Audit Partner

Professional accounting designation such as: Association of Chartered Certified Accountants (ACCA), Certified Public Accountant (CPA), or a Master's Degree in Accounting.

Ten years' experience in Auditing.

2. Senior Audit Manager

Professional accounting designation such as: ACCA, CPA, or a Master's Degree in Accounting.

Five years' experience in Auditing.

3. Audit Manager

Professional accounting designation such as: ACCA, CPA, or a Master's Degree in Accounting.

Three – Five years' experience in Auditing.

<b>No</b>	<b>Ministry, Statutory Bodies and Executive Agencies</b>	<b>Type of Agency</b>	<b>Type of Statements</b>	<b>Years</b>	<b>Agency Budget (000)</b>	<b>Location</b>	<b>Address</b>	<b>New Kingston to Destination</b>
1	Forestry Department	Executive Agency	Accrual basis	2014/15 - 2017/18	864,227	Kingston	173 Constant Spring Road, Kingston 8	6.5 KM (17 Minutes)
2	Fair Trading Commission	Statutory Body	Accrual basis	2015/16- 2017/18	298,659	Kingston	52 Grenada Crescent, Kingston 5	300 m (4 Minutes)
3	National Land Agency	Executive Agency	Accrual basis	2011/12 - 2017/18	526,673	Kingston	8 Ardenne Road, Kingston 10	1.4 KM (4 Minutes)
4	Passport, Immigration and Citizenship Agency	Executive Agency	Accrual basis	2012/13 - 2017/18	2,449,099	Kingston	20 Constant Spring Road, Kingston	2.4 KM (8 Minutes)
5	Council of Community College	Statutory Body	Accrual basis	2014/15 - 2017/18	65,584	Kingston	37 East Street, Kingston	4.9 KM (15 Minutes)
6	Institute of Jamaica	Statutory Body	Accrual basis	2014/15 - 2017/18		Kingston	10 East Street, Kingston	5.4 KM (17 Minutes)
7	Jamaica 4 H Clubs	Statutory Body	Accrual basis	2013/14 - 2017/18	251,321	Kingston	95 Old Hope Road, Kingston 6	3 KM (7 Minutes)
8	Jamaica National Heritage Trust	Statutory Body	Accrual basis	2004/05- 2017/18	143,607	Kingston	79 Duke Street, Kingston	5.2 KM (16 Minutes)
9	National Council on Drug Abuse	Statutory Body	Accrual basis	2012/13 - 2017/18	137,888	Kingston	13-15 Molyne's Road, Kingston 10	2.7 Km (15 Minutes)
10	National Gallery of Jamaica	Statutory Body	Accrual basis	2010/11 - 2017/18	80,087	Kingston	12 Ocean Blvd, Block C Kingston, Jamaica (Entrance is on Orange Street)	6.2 KM (18 Minutes)
11	National Youth Services	Statutory Body	Accrual basis	2013/14 - 2017/18		Kingston	6 Collins Green Avenue, Kingston	1.3 KM (5 Minutes)
12	Export Division	Statutory Body	Accrual basis	2014/15 - 2017/18		Kingston	1 Winchester Road, Kingston	1.6 KM (6 Minutes)
13	Jamaica Library Services	Statutory Body	Accrual basis	2013/14 - 2017/18	1,050,816	Kingston	2 Tom Redcam Drive, Kingston 5	2.4 KM (8 Minutes)

No	Ministry, Statutory Bodies and Executive Agencies	Type of Agency	Type of Statements	Years	Budget	Location	Address	New Kingston to Destination
14	Parochial Revenue Fund	Fund	Accrual basis	2005/06 - 2017/18	2,086,778	Kingston	85 Hagley Park Road	4.2 KM (17 Minutes)
15	Clarendon Parish Council	Municipal Authority	Modified Accrual Basis	2013/14 - 2017/18		Clarendon	3 Sevens Road, Council Street, May Pen	62.2 KM (1 hr. 3 Minutes)
16	Kingston & Saint Andrew Municipal Council	Municipal Authority	Modified Accrual Basis	2011/12 - 2017/18		Kingston	24 Church Street, Kingston	5.4 KM (22 Minutes)
17	Manchester Parish Council	Municipal Authority	Modified Accrual Basis	2012/13 - 2017/18		Mandeville	32 Hargreaves Avenue, Mandeville	96 KM (1 hr. 43 Minutes)
18	Portland Parish Council	Municipal Authority	Modified Accrual Basis	2010/11 - 2017/18		Portland	1 Gideon Avenue, Port Antonio	92 KM (2 hrs. 13 Minutes)
19	Portmore Municipal Council	Municipal Authority	Modified Accrual Basis	2011/12 - 2017/18		St. Catherine	82-85 Portmore Pines Plaza, Portmore	19.7 KM (35 Minutes)
20	St. Ann Parish Council	Municipal Authority	Modified Accrual Basis	2009/10 - 2017/18		St. Ann	Main Street, St. Ann's Bay	87 KM (1 hr. 25 Minutes)
21	St. Catherine Parish Council	Municipal Authority	Modified Accrual Basis	2009/10 - 2017/18		St. Catherine	Parade Square,	27.5 Km (45 Minutes)

No	Ministry, Statutory Bodies and Executive Agencies	Type of Agency	Type of Statements	Years	Budget	Location	Address	New Kingston to Destination
							Spanish Town	
22	St. Elizabeth Parish Council	Municipal Authority	Modified Accrual Basis	2014/15 - 2017/18		St. Elizabeth	58 High Street, Black river	200 KM (4 hrs. 26 Minutes)
23	Manchester Parish Council	Municipal Authority	Modified Accrual Basis	2012/13 -- 2017/18		Manchester	32 Hargreaves Avenue, Mandeville	96 Km (1 hr. 43 Minutes)
24	St. Mary Parish Council	Municipal Authority	Modified Accrual Basis	2013/14- 2017/18		St. Mary	2 Hodgson Street, Port Maria	119 KM (2 hrs. 2 Minutes)
25	St. Thomas Parish Council	Municipal Authority	Modified Accrual Basis	2014/15 - 2017/18		St. Thomas	11 Church Street, Morant Bay	53 Km (1 hr. 11 Minutes)
26	Westmoreland Parish Council	Municipal Authority	Modified Accrual Basis	2012/13 - 2017/18		Westmoreland	96 Great George Street, Savanna-La-Mar	240 Km (5 hrs. 12 Minutes)
27	Anti-Dumping and Subsidies Commission	Statutory Body	Accrual	2016/17 - 2017/18	92,277	Kingston	JAMPRO Trade & Investment Building; 18 Trafalgar Road, Kingston 10	750 meters (2 Minutes)
28	National Insurance	Statutory Body	Accrual	2014/15 -	782,125	Kingston	18 Ripon	1.3 Km (4 Minutes)

No	Ministry, Statutory Bodies and Executive Agencies	Type of Agency	Type of Statements	Years	Budget	Location	Address	New Kingston to Destination
	Scheme			2017/18			Road, Kingston 10	
					<b>8,829,141,000</b>			