

TERMS OF REFERENCE

Audit of Project Financial Statements

GCF Readiness and Preparatory Support Programme: “Building technical and institutional capacity in the water sector in Montenegro to facilitate inclusive climate resilience initiatives”

I. BACKGROUND

1. The grant agreement between the Global Water Partnership Organisation (GWPO) and UNOPS became effective on June 25, 2024, for the Green Climate Fund (GCF) Readiness and Preparatory Support Programme in Montenegro, totaling US\$ 797,112 in grant funding. Additionally, the sub-grant agreement between Global Water Partnership and B. Mediterranean Information Office for Environment, Culture, and Sustainable Development (MIO-DCSE), on behalf of Global Water Partnership Mediterranean (GWP-MED), became effective on October 20, 2024.
2. GWP-MED is seeking the services of an independent external auditor to carry out audits of the project’s financial statements. The auditor will be appointed to conduct audits for the grant from 23 August 2024 to 22 August 2026.
3. The continued engagement of the auditor is subject to satisfactory performance and the timely submission of audit reports in accordance with the grant agreement.

II. OBJECTIVES

4. The objectives of the audit of the project financial statements is to enable the auditor to express opinions on (i) whether the project financial statements (including the notes thereto and supplementary statements) present fairly, in all material respects, (or give a true and fair view of) the grant financial position as at each accounting year-end, and its cash flows for the years then ended, in conformity with the accounting standards acceptable to the GCF, (ii) whether the proceeds of the grant were used for the intended purpose, and (iii) whether the project has complied with the covenants stated in the grant agreement.

III. ACCOUNTING STANDARDS

5. The financial statements will be prepared on an accrual basis of accounting in accordance with the International Financial Reporting Standards.

IV. MANAGEMENT RESPONSIBILITY

6. GWP-MED is responsible for preparing and fairly presenting the project financial statements including adequacy of disclosure, and for maintaining sufficient internal controls to ensure that the financial statements are free from material misstatement, whether due to fraud or error. GWP-MED is

also responsible for ensuring that the funds were used only for the purposes of the project, for compliance with financial covenants, and for ensuring that effective internal controls including over the procurement process are maintained.

7. The project’s books of accounts provide the basis for preparation of the financial statements and are established to reflect the financial transactions in respect of the activities. This includes maintenance of adequate accounting records and supporting documentation for transactions, selection and application of accounting policies, and safeguarding of project assets.

V. AUDITING STANDARDS

8. The auditor will carry out the audit in accordance with the International Standards on Auditing.

VI. AUDITOR RESPONSIBILITY

9. The auditor is responsible for forming and expressing an opinion on the project financial statements in accordance with the auditing standards. As part of the audit process, the auditor may request from GWP-MED written confirmation concerning representations made in connection with the audit.

10. In the conduct of the audit, the auditor is expected to:

- Plan and perform the audit to reduce risk to an acceptably low level, including risks of material misstatements in the financial statements whether due to fraud or error,
- Design and perform audit procedures, and evaluate and report the results thereof including any noncompliance with laws and regulations,
- Communicate matters of governance arising from the audit of financial statements,
- Carry out tests to confirm compliance with the grant agreement, such as:
 - Grant funds have been used in accordance with the conditions of the grant agreement, with due attention to economy and efficiency, and only for the purposes for which the financing was provided,
 - Goods, works, and services financed have been procured and project expenditures have been incurred in line with the grant agreement,
 - Assets and inventories procured from grant funds exist and there is verifiable ownership in accordance with the grant agreement,
 - All necessary supporting documents, records, and accounts have been maintained in respect of all project activities,
- Review the activities of the project’s designated account including deposits received, payments made, interest earned, exchange rates used, and reconciliation of period-end balances, and
- Review all semi-annual financial reports submitted to GWPO/GCF and assess the methods used to compile the reports, ascertain that the information given in the reports accurately reflect the underlying records, documents and books of accounts, and verify that the information in the reports reconcile with the annual financial statements.

VII. AUDIT SCOPE AND REPORTING

11. The auditor is required to deliver an audit report in the English language comprising:

A. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

An auditor's opinion providing reasonable assurance over the audited project financial statements, including the notes thereto and supplementary statements.

B. AUDITOR'S OPINION ON COMPLIANCE WITH LEGAL AGREEMENT

An auditor's opinion made in accordance with ISSAI 4200 'Compliance Audit Related to the Audit of Financial Statements', providing reasonable assurance that the (i) proceeds of the grant were used only for the purpose of the project¹, and (ii) project was in compliance with the covenants in the grant agreement².

C. AUDITED PROJECT FINANCIAL STATEMENTS

Consolidated (all sources of funds) financial statements with comparative presentation:

UNDER THE ACCRUAL-BASIS OF ACCOUNTING

- Statement of Financial Position
- Statement of Financial Performance
- Statement of Comparison of Budget and Actual Amounts
- Supplementary Schedules
 - Statement of Certificate of Cash Position
 - Summary Statement of Expenditures
- Notes to the Financial Statements

D. MANAGEMENT LETTER

A management letter providing the auditor's observations and findings on accounting records, systems and internal controls that were examined during audit, including:

- Weaknesses and issues in accounting and internal control systems, including irregularities in the use of grant funds, ineligibility of expenditures, and procurement-related weaknesses and issues.
- Auditor's assessment of the causes, and recommendations to improve or rectify the identified weaknesses and issues.
- GWP-MED's responses to the weaknesses and issues including explanations of the causes, proposed action plan to address the concerns, and the timeline for completion.
- Status of weaknesses and issues identified and reported in prior periods.
- Any continuing or persistent issues and weaknesses, and follow-up actions taken.
- Any matters the auditor considers pertinent or significant as to impact implementation.

12. The audit shall be for each of the following periods:

- 23/08/2024 – 31/12/2024 Interim Audit
- 01/01/2025 – 31/12/2025 Interim Audit
- 01/01/2026 – 22/08/2026 Final audit (assuming no project extensions will agreed).

¹ This includes assurance that activities were carried out in conformity with sound administrative, technical, financial, business and development practices.

² This refers to compliance with all the terms and conditions of the grant agreement, including the Standard Conditions and the Policy on Prohibited Practices (see Excerpt from the Grant Agreement on the Standard Conditions and the Policy on Prohibited Practices).

13. All audit reports shall be submitted to GWPO on or before 60 days after the end of period and be forwarded to the GCF no later than three months at the end of such period, pursuant to the grant agreement.

VIII. AUDITOR QUALIFICATIONS

14. The auditor must satisfy the following minimum requirements:

- Have a professional license and be member of the Body of Certified Public Accountants (SOEL) established by article 1 of p.d. 226/1992 (A '120).
- Previous experience in certifying financial statements of civil non-profit societies in the last 3 years and /or projects financed by international organizations. To demonstrate experience participants are requested to submit a table of related audits performed in the last 3 years (at least 5 related audits)

IX. OTHER MATTERS

15. The auditor is entitled to unlimited access to all legal documents, correspondences, project preparation and supervision reports, reports of reviews and investigations, financial management assessment reports, and any other information and explanations associated with the project and considered necessary to facilitate the audit. The auditor may also obtain written confirmation of amounts disbursed from the GWPO.

Excerpt from the Grant Agreement on the Standard Conditions and the Policy on Prohibited Practices.

12. Anti-corruption

12.1 The Grantee warrants that it has not and shall not offer any direct or indirect benefit arising from or related to the performance of this Agreement or the award thereof to any representative, official, employee, or other agent of UNOPS or any organization of the UN system.

12.2 The Parties declare their commitment to counteract corrupt practices in the execution of this Agreement. Further, the Parties commit themselves not to accept, either directly or indirectly, as an inducement or reward in relation to the execution of this Agreement, any kind of offer, gift, payments or benefits, which would or could be construed as a corrupt practice.

13. Anti-terrorism

13.1 The Grantee agrees to undertake all reasonable efforts to ensure that none of the UNOPS funds received pursuant to this Agreement are used to provide support to individuals or entities associated with terrorism and that the Grantee or any sub-grantees of any amounts provided by UNOPS hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list is established and maintained by the 1267/1989 Committee and can be accessed in the web page of the United Nations (<http://www.un.org>), or directly through the following link: https://www.un.org/sc/suborg/en/sanctions/1267/aq_sanctions_list. This provision must be included in all sub-contracts or sub-agreements entered into under this Agreement.

13.2 The Grantee agrees not to engage with and to terminate any existing relationships with individuals or entities who are currently under any financial sanctions imposed by the United Nations.

14. Anti-Money Laundering Requirements

14.1 The Grantee agrees to undertake reasonable effort to ensure that none of funds received pursuant to this Agreement are used to conduct money-laundering activities or to fund individuals or organizations that are involved in money-laundering activities.

14.2 The Grantee acknowledges and agrees that:

(a) any transaction involving the transfer, disbursement, transportation, transmission, or exchange of funds provided pursuant to this Agreement (including wire transfers and currency exchanges) shall be carried out by the Grantee's bank into which the funds are disbursed, unless another means of transmittal is specifically authorized in writing by UNOPS prior to carrying out the transaction;

(b) all transactions involving funds provided pursuant to this Agreement that are effected through electronic wire transfer or currency exchange shall be properly recorded;

(c) all currency exchanges involving funds provided pursuant to this Agreement shall be carried out through established and regulated financial institutions;

(d) currency exchange operations which are not carried out through established and regulated

financial institutions shall not be regarded as activities capable of being funded by funds provided pursuant to this Agreement;

(e) the transfer, disbursement, transportation, transmission, or exchange of funds provided pursuant to this Agreement, by any means: (i) to third parties not directly related to the implementation of the activities under this Agreement; or (ii) for activities not directly supporting activities under this Agreement, is strictly prohibited.

15. Prohibited Practices

15.1 “Prohibited Practices” means any of the following:

(a) any of: (A) the conversion or transfer of property, knowing that such property is the proceeds of crime, for the purpose of concealing or disguising the illicit origin of the property or of helping any person who is involved in the commission of the crime to evade the legal consequences of his or her actions; (B) the concealment or disguise of the true nature, source, location, disposition, movement or ownership of or rights with respect to property, knowing that such property is the proceeds of crime; or (C) the acquisition, possession or use of property knowing at the time of its receipt that it is derived from a criminal offence (“Money Laundering”); and

(b) the commission of any offence as set out in Article 2 of the International Convention for the Suppression of the Financing of Terrorism (“Financing of Terrorism” or “Terrorist Financing”);

(c) the offering, giving, receiving, or soliciting, directly or indirectly, anything of value (including but not limited to gifts, gratuities, favours, invitations, and benefits of any kind) to influence improperly the actions of another party;

(d) any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit, or to avoid an obligation;

(e) the impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;

(f) an arrangement between two or more parties designed to achieve an improper purpose, including to improperly influence the actions of another party);

(g) includes (A) deliberately destroying, falsifying, altering, or concealing evidence material to an investigation; (B) making false statements to investigators in order to materially impede an investigation; (C) failing to comply with requests to provide information, documents or records in connection with a UNOPS investigation; (D) threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or (E) materially impeding UNOPS’ contractual rights of audit or access to information;

(h) theft, misappropriation, waste or improper use of property or assets related to UNOPS-related Activity, either committed intentionally or through reckless disregard;

(i) any detrimental act, direct or indirect, recommended, threatened or taken against a whistleblower or witness, or person associated with a whistleblower or witness, in a manner material to a complaint because of the report or cooperation with a UNOPS investigation by the whistleblower or witness;

15.2 The Grantee represents that its own policies and procedures enable it to fully implement measures to prevent Prohibited Practices in a manner consistent with those of the GCF. The Grantee further represents and warrants that the Grantee will further obligate sub-grantees and recipients to prevent Prohibited Practices in accordance with policies and procedures consistent with those of the GCF.

15.3 The Grantee shall ensure that its directors, officers, employees, agents, and contractors do not take part of Prohibited Practices as defined in this Article 15, and shall ensure that all appropriate and timely measures are taken to prevent, detect and respond to allegations of Prohibited Practices and promptly inform UNOPS of any allegations of Prohibited Practices and actions taken in response to such allegations. UNOPS reserves the right to investigate any allegations related to this Agreement if it reasonably concludes that additional investigation is warranted and the Grantee shall fully cooperate with any such investigation.

15.4 The Grantee shall cooperate fully with any investigation by the GCF relating to allegations of Prohibited Practices, and extend, or cause to be extended, all necessary assistance, including providing access to all relevant books and records, for satisfactory completion of such investigation. The Grantee further agrees that it will obligate any sub-grantees to cooperate fully with any such investigation by the Fund relating to allegations of Prohibited Practices, and extend, or cause to be extended, all necessary assistance, including providing access to all relevant books and records, for satisfactory completion of such investigation.