



**DEPARTMENT OF ENVIRONMENT,  
CLIMATE CHANGE AND EMERGENCY MANAGEMENT**

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**TERMS OF REFERENCE**

**A Four years External Financial Annual Audit Services of the Adaptation Fund Project: *Enhancing the Climate Change Resilience of Vulnerable Island Communities in FSM***

**1. Background**

The Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC) in its Decision 10/CP.7 decided that an **Adaptation Fund (AF)** shall be established to finance concrete adaptation projects and programs in developing countries that are parties to the Kyoto Protocol to the UNFCCC (Kyoto Protocol). The proposal submitted by Secretariat of the Pacific Regional Environment Programs (SPREP) to the **Adaptation Fund Board** seeking access to the resources of the AF in support of the **Federated States of Micronesia (FSM)** Project *‘Enhancing the Climate Change Resilience of Vulnerable Island Communities in Federated States of Micronesia’* has been approved by the Board, and the Board has agreed to make a grant to **SPREP, as the Implementing Entity**, a maximum amount equivalent to nine million United States Dollars (US \$9,000,000) for the purpose of the Project.

The Board and SPREP have agreed that:

1.03 **Executing Entity** means the **FSM Department of Environment, Climate Change and Emergency Management (DECCEM)** on behalf of Kosrae State Government, Pohnpei State Government, Yap State Government, Chuuk State Government that will execute the Project under the overall management of the Implementing Entity

1.04 **Implementing Entity** means the **SPREP** that is the party to the Agreement and the recipient of the Grant.

As part of the grant agreement between SPREP and the AF Board, and the Executing Partner Agreement between SPREP and The Federated States of Micronesia (FSM) Government herein represented by the Department of Environment, Climate Change and Emergency Management (DECCEM), the **Executing Partner** is required to ensure an independent financial audit of the funds. Adaptation Fund “Enhancing the Climate Change Resilience of Vulnerable Island Communities in Federated States of Micronesia” Project accounts are prepared by DECCEM based on International Financial Reports Standards (IFRS).

The audit is to be conducted in Pohnpei, FSM with the Department of Environment, Climate Change and Emergency Management (DECCEM).

## 2. Financial Audit Requirements

The External Auditors shall ensure that:

- AF project funds were covered by the scope of the audit;
- A report expressing an auditor opinion as to the fairness of the Adaptation Fund (AF) “Enhancing the Climate Change Resilience of Vulnerable Island Communities in Federated States of Micronesia” financial statement.
- Proper books of account have been maintained;
- All project expenditures are supported by vouchers and adequate documentation;
- Expenditures have been incurred in accordance with the objectives of the project outlined in the approved project document and any changes to the project activities and budget allocation as approved by the AF Secretariat/Board and SPREP;
- The expenditure report provides a true and fair view of the financial condition and performance of the project.

## 3. Audit Engagement Letters

The Auditor Engagement letter for the project form an integral part of this TOR.

## 4. Scope of Services

The selected auditor will conduct annual (Calendar Year) audits for the years **2019, 2020, 2021, 2022 and 2023** as required by the project. **The selected auditor is required to audit the following areas ensuring the project operations are in accordance with the relevant regulations, policies and procedures of the Government of FSM and the terms and conditions of the Letter of Agreement for the project signed between the Government of FSM through DECEM and SPREP.** The assignment will cover the following:

1. Statement of Financial Position
2. Cash flow statement
3. Notes and Disclosures
4. Ineligible cost
5. Auditors Opinion
6. Accounting Policy: Basis of Accounting, Foreign Currencies, Income, Expense and Account Payables
7. Financial Management:
  - assess whether the office adequately monitors the level and use of financial resources;
  - manages risk of financial loss
  - maintains accurate accounting records

- adequately controls commitments and disbursements
- adequately protects cash in compliance with all relevant FSM regulations and rules
- assess whether procurements of goods and services in support of AF's operations are carried out in accordance with the relevant regulations and rules, and policies and procedures

## **5. Expected Outputs and Deliverables**

- Set of inputs to the Audit Planning Memo
- Complete set of working papers for each area assigned to the consultant;
- Draft Notes detailing the findings regarding the audit sections assigned to the consultant;
- Participation, presentation and discussion with management during the Exit Meeting of the findings and recommendations related to the areas assigned to the consultant;
- Draft report for management comments covering the audit sections assigned to the consultant; and
- A final auditing report for each of the Calendar Years assigned.

## **6. Institutional Arrangement**

### Supervision

- The consultant will report directly to the AF Project manager.
- The consultant will be tasked by the AF's project manager. All work product produced by the consultant as a result of this engagement is owned by AF project and shall be submitted to the AF project manager
- The consultant will be granted access to all financial statements and other relevant financial recordings of the AF project.
- The Consultant shall provide weekly progress report on the status of the work to the AF project manager.

### Logistics

- The consultant is responsible for obtaining travel visa to FSM if applicable.
- The consultant is responsible for their own laptop and communication means
- The consultant is responsible for their own lodging and transportation during the fieldwork.

## **7. Duration of the Work**

- The detail work schedules for each Calendar Year of the assignment will be communicated and agreed upon between the AF project manager and the consultant, which will be specified in a signed contract

## **8. Duty Station**

- The fieldwork phase will be performed at DECEM in Palikir, FSM.

## **9. Qualifications:**

- Advanced university degree in accounting, audit, business administration or related field; or a first level degree combined with a professional accounting, auditing or related designation.
- Minimum of five years of audit experience, preferably in internal audit, or other directly relevant experience.
- Experience at the international level would be an advantage.
- Experience in audit with the United Nations, Pacific regional organizations such as SPREP, SPC or PIFs, not-for-profit organizations, or Non-Governmental Organizations (NGO), is highly desirable.

**10. Language Requirements:**

- Fluency in English is required with excellent drafting skills.

**11. Competencies:**

*Core Values & Ethics:*

- Demonstrates integrity and fairness.
- Display cultural sensitivity.
- Shows strong corporate commitment.
- Complies with FSM Government rules, and code of conduct.
- Team player with ability to work under pressure and within set deadlines.

*Task Management Skills:*

- Produces timely, quality outputs.
- Exercises sound judgment/analysis.
- Ability to handle multiple tasks.

*Communications:*

- Writes clearly and convincingly.
- Speaks clearly and convincingly.
- Has good presentation and reporting skills

*Professional:*

- Demonstrates ability to perform in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics established by the Institute of Internal Auditors.

**12. Payment Terms:**

The consultancy fee will be paid according to the deliverables schedules below:

	Deliverable	Expected Due Date	% of Payment
1	Signing of Contract	April 2020	0%
2	2019 CY Audit Report	May 2020	10%
3	Notice to Commence Audit for CY 2020	January 04, 2021	5%
4	2020 CY Audit Report	February 04, 2021	20%
5	Notice to Commence Audit Report for CY 2021	January 03, 2022	5%
6	2021 CY Audit Report	February 03, 2022	20%

7	Notice to Commence Audit Report for CY 2022	January 02, 2023	5%
8	2022 CY Audit Report	February 02, 2023	20%
9	Notice to Commence Audit for CY 2023	January 02 2024	5%
10	2023 CY Audit Report	February 02, 2024	10%