UNIDADE DE GESTÃO DE PROJETOS ESPECIAIS

MORABEZA INNOVATION PROJECT

FINANCIAL AND ACCOUNTING AUDIT DEVELOPMENT

TERMS OF REFERENCE

MORABEZA INNOVATION PROJECT

1. INTRODUCTION

The African Development Bank Group (the Bank) has been supporting the Government of Cabo Verde in its development efforts since 1977. A loan of EUR 24 million was approved in 21/02/2025 to finance the Morabeza Innovation Project.

The development objectives of the Project are:

(i) To position Cabo Verde as a regional hub for innovation and entrepreneurship, transitioning from an economy dependent on tourism to one driven by digital innovation.

(ii) Leverage digital technologies for productivity, competitiveness and sustainable job creation in the private sector, especially for women and youth, in key sectors, including tourism, agriculture (agritourism), creative industries and the blue economy.

The fiduciary management of the project is the responsibility of the Special Projects Management Unit (UGPE) and is co-financed by the African Development Bank and the Government of Cabo Verde.

The Government aims to transform Cabo Verde's economy, which is currently heavily dependent on tourism, into a more diversified model, with the digital economy expected to contribute up to 25% of GDP by 2030. It also aims to make Cabo Verde a digital hub within the region and among Portuguese-speaking African countries. The underlying thesis is to build on the considerable investments already made in digital infrastructure and e-government in order to unlock the potential of a dynamic digital services economy. In this light, digital is not just a stand-alone sector, but a central driver of productivity growth and a catalyst for expanding employment opportunities, especially for young people and micro, small and medium-sized enterprises (MPME).

This vision is rooted in two fundamental government strategies: the Second Strategic Plan for Sustainable Development (PEDS II) and the Strategy for the Digital Economy of Cabo Verde (EEDCV). The PEDS II integrates the post-COVID economic recovery plan and sets out the high-level guidelines for developing the digital economy. It emphasizes stimulating the private sector by improving access to finance, information and markets, within the framework of a public-private dialogue mechanism. For its part, the EEDCV establishes a detailed roadmap to make Cabo Verde a digital nation, fostering digital inclusion, innovation and economic competitiveness through the valorization of emerging technologies and the promotion of a *cashless* economy.

To achieve the strategic objectives set out in PEDS II, the Government has introduced new instruments, both financial and non-financial, to support private sector investment in capital markets and the banking system. These measures include a contribution of US$17 million to the Partial Credit Guarantee Fund, the strengthening of the venture capital instrument, as well as the issuance of thematic bonds of blue, green, diaspora and social types. In addition, there is a US$10 million Impact Fund – called *Pro-Impacto* – which supports SMEs and is managed by *Pro-Capital* with an initial equity contribution of US$5 million from the Government of Cabo Verde, as well as a Sovereign Wealth Fund to guarantee private investment of up to €90 million. The Government, through *Pro-Garante*, has also allocated CVE 9 million from its annual budget, at an interest rate of 3.5% per annum, with 50% to 80% guarantee coverage for cash and financing support credits, thus ensuring 100% coverage for MPME. Results-based finance (RBF) will allocate 25% of the *Pro-Impacto* fund to digital companies and support *Pro-Garante* through a counter-guarantee mechanism, to unlock additional financing for MPME. It aims to implement a digital banking strategy that enables effective collateral issuance and performance monitoring of MPME, while expanding its reach to a wider range of islands.

The EEDCV is structured around six pillars, which cover 37 strategic objectives underpinning the Government's digital transformation program, approved on 4 October 2024. The Morabeza project will contribute to key objectives under the six pillars, specifically supporting 18 of the 37 strategic objectives set out in the EEDCV. These pillars are: Digital Infrastructure, for which RBF Morabeza will support 27% of the goals; capacity building and *brain gain*, to which it will contribute 100% of the objectives through ICT training and diaspora mobilization; Market and Innovation, with a 56% contribution through the strengthening of the technology ecosystem and the acceleration of the digital transformation of MPME; Governance and Public Policy, with a focus on 14% support for the *Startup Act* and Digital Economy legislation; Inclusion and Sustainability, with progress towards 33% in key performance indicators through inclusive financial literacy; and Security and Resilience, with a 25% contribution in partnership with existing Bank initiatives (see Technical Annex 2.2).

The framework of PEDS II (2022-2026) guides the sustainable development of Cabo Verde, with the supervision of the digital economy and financial inclusion entrusted to the Ministry of Digital Economy. This ministry ensures that the Strategy for the Digital Economy of Cabo Verde (EEDCV) 2024-2028 is consistent with the objectives of PEDS

II. Successful success, however, requires collaboration with other ministries, agencies and the private sector. The Ministry of Public Administration will integrate digital nomad and startup visa services into the e-government platform, while the Ministry of Tourism will promote Cabo Verde as a destination for digital workers. The Ministry of Culture and Creative Industries will support financial inclusion and digital training, with a focus on creative businesses. Institutions such as *Pro-Empresa* and the Digital Bank will expand digital finance for MPME. The Ministry of Education and Skills will pilot the digitization of training programs through an e-learning system. In addition, the Technology Park will provide infrastructure and the benefits of Special Economic Zone (SEZ) status to attract private investment, and *Cabo Verde Trade Invest* will promote the country to high-growth startups and digital nomads.

2. PROJECT COMPONENTS

1 — Go Global (Provision of digital skills / Digital *Brain Gain*)

This area focuses on three of the six core pillars of Cabo Verde's Digital Economy Strategy (EEDCV): Market and Innovation (MI), Capacity Building and Skills Return (CBG), and Governance and Public Policy (GP).

Activities under this result area aim to attract and retain tech talent, including digital nomads and tech-driven companies, positioning Cabo Verde as a digital services hub. By incentivizing high-quality talent and growth-stage digital (or digital-enabled) companies, this area will help expand Cabo Verde's talent pool and business reach, addressing the challenges posed by a small and dispersed population.

Activities in the *Go Global* result area include:

Sub-area 1.1 — Attracting Digital Nomads and Startups: The goal is to attract 3,100 high-value-added digital nomads as well as technology companies (or companies with a technology component) by offering incentives such as virtual office space within the local technology park, along with tax benefits. This will be achieved through the digitization of programs (remote work visa, reception platform, *soft landing*) to ensure a smooth application process. Local content legislation will be strengthened to ensure the economic benefits generated by digital nomads and startups, including through local employment quotas (including at least 40% women) and incentives for training the local ecosystem, in particular women and young people not in employment, education or training (NEETs).

Sub-area 1.2 – Talent Retention and Scale-up Funding (see Technical Annex 2.2 for details): This sub-area will support 100 growth-stage technology startups and technology-enabled companies operating in key growth sectors and owned by Cabo Verdean nationals or international nomads willing to establish themselves in Cabo Verde (targets:

nomads and startups from the PALOPs, the West African region and the diaspora). In order to control the risk of single-country concentration, the fund will expand its operations and enter new markets through partnerships with existing funds (*Pró-Impacto, ICP-Injaro*) and the mobilization of two additional investors, targeting a closing size of US$20 million. The government's exposure to financing will be capped at 50% of the target, with the balance provided by private, diaspora and impact investors. The focus will be on sectors such as the blue economy, tourism and digital services (in particular *fintech*) (see Annex 2.2, sub-area 1.2, for details).

Sub-area 1.3 – Single Window and Enabling Policies for the Digital Nomad Program: This sub-area will establish integrated online and in-person one-stop services for digital nomads, including visa issuance and business registration, with branches in Praia, São Vicente and Sal, attached to the *"Casa do Cidadão"*. It will support public policy reforms in digital financial inclusion, *Startup Acts*, and cybersecurity, through a regulatory *sandbox* for startups to contribute to policymaking. This sub-area will also focus on developing a strategy for Cabo Verde to export its digital innovation model to markets where it has a comparative advantage. This strategy will build on the ZLECAf, the African Union, ECOWAS and bilateral relations with Portuguese-speaking countries and West Africa, allowing Cabo Verde to expand its impact beyond its national borders and establish its relevance at the regional level.

Result area 2 – Grow Local (Strengthening the Local Community)

This area focuses on the implementation of three of the six pillars of Cabo Verde's Digital Economy Strategy (EEDCV): Inclusion and Sustainability (SI), Security and Resilience (SR) and Digital Infrastructure (DI).

Grow Local: This strategy aims to develop the local MPME ecosystem by promoting the use of technology, digital services and platforms to increase productivity, as well as by mobilizing *fintech* platforms to expand access to finance. By promoting the scaling up of local businesses and enabling them to access new markets, the project aims to break with traditional growth cycles and promote long-term economic sustainability.

Activities in the *Grow Local* result area include:

Sub-area 2.1 – Large-scale digital platforms and skills development for local businesses, with a view to increasing productivity and market linkages: This component aims to mainstream digital skills, tools and technologies to increase productivity and innovation in sectors such as crafts, tourism, agriculture and the blue economy, paying special attention to women- and youth-led MPME. It also includes the digitization of essential training for business development – covering areas such as climate-friendly business practices, financial management, soft *skills* and professional skills – to make them accessible both online and in person. The initiative will be based on two mechanisms:

1. Training 2,000 MPME (50% women-led, 50% youth-led) on business productivity, market linkages, financial management, digital services, and cybersecurity. The training will be delivered online and face-to-face, building on existing programs through partnerships with the *Skills Fund*, the Technology Park, *Cabo Verde Digital*, CVTI and technology companies. The e-learning platforms will include massive open online courses (MOOC) as well as small grants for digital transformation across all nine islands.

2. Encouraging 250 digital ambassadors (50% women) to support MPME in their communities. These ambassadors will receive training to address the challenges of local businesses, followed by a six-month project support period with stipends or grants (in the case of startups) as well as start-up kits. The initiative aims to strengthen young people's skills, create pathways to employment and provide relevant work experience, with a focus on supporting vulnerable groups, including NEET.

Sub-area 2.2 – Increased access to microfinance through digital means: This sub-area will support the government's *Pro-Garante* and CVD programs, providing US$7.5 million in guarantees and microcredits – up to US$5,000 each – to 2,000 MPME (50% women-led, 50% youth-led), distributed through commercial banks, microfinance institutions, mobile money services and *fintech* platforms. It also includes business development services for the benefit of 2,500 MPME, to increase their productivity through technology. Digital tools will streamline processes from application to approval, ensuring transparency and tracking of MPME profiles. In addition, grants will incentivize startups to address specific challenges.

Sub-area 2.3 — Improving market aggregation and the provision of business development support services: This sub-area aims to build a network of incubators and MPME, providing them with priority information and enhancing the value of datasets in order to offer them better support. This initiative aims to take advantage of economies of scale by bringing together similar companies and incubators spread across the different islands into a unified system. It also aims to provide targeted access to training for sectors of activity as well as targeted support for business development and mentoring, directly related to sub-area 2.2. This comprehensive approach will strengthen the MPME support ecosystem, promoting their growth and sustainability.

3 – Coordination, monitoring and evaluation of the project in support of digital technology

This result area supports the Government by setting up an active project monitoring unit that is strengthened by digital technology. This unit will be responsible for operationalizing the MIP project, ensuring the design of appropriate digital tools and aggregating data from different stakeholders. It will also house the various secretariats responsible for providing administrative support to existing ministries and initiatives under the selected interventions under each of the other result areas described above.

The activities of the Coordination, Monitoring and Evaluation of the project in support of digital include:

Sub-area 3.1 — Visibility and analysis of project implementation and monitoring through a dashboard: The main objective of this area is to establish a fully functional dashboard to monitor the operationalization of the MIP and to leverage a capacity building program for the benefit of project stakeholders and the IVA, with the recruitment of at least three (3) agents. Another objective is to communicate positively about the progress of the digital ecosystem, through the publication of at least twelve (12) policies related to digital nomads or notable achievements of startups in international media.

In accordance with the Project Evaluation Report and the Financing Agreement, the consolidated annual financial statements of the Project will be audited by the Court of Auditors, on the basis of terms of reference approved by the Bank. If the Court of Auditors is unable to carry out the audit of the project, it will have to call on a private firm to carry out the audit under its supervision. Consequently, the auditor who will be recruited will have to work under the supervision of the Court of Auditors , which should ideally endorse the report under its seal and letterhead.

The financial years concerned are as follows: 2025/2026, 2027 and 2028 including grace period, to be completed in 2029.

OBJECTIVES OF THE AUDIT OF THE BANK'S OPERATIONS

When conducting an audit of the financial statements (including the activities of the entire Project ecosystem), the auditor's overall objectives are to:

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

b) obtain reasonable assurance that the project books of account form the basis for the preparation of the Project Financial Statements (PFS) by the Project Delivery Unit and are prepared to reflect the financial transactions of the project and that the Project Implementation Unit has adequate internal controls in place while maintaining supporting documentation of all transactions.

c) To express an independent professional opinion on the financial situation of the project, to verify that the project funds have been used for the intended purposes and in accordance with the provisions of the loan/grant agreement;

d) obtain reasonable assurance regarding the achievement of project or program objectives by ensuring that the physical outputs of the project are consistent with the funds disbursed and the timing of disbursements; the technical report of the project or program provides sufficient information and data to enable users to fully assess the achievements of the project; and

e) report on financial statements and report its own conclusions as required by auditing standards.

3.0 STAKEHOLDER RESPONSIBILITIES

3.1 **PROJECT MANAGEMENT:** Responsibility for the preparation of the Project Financial Statements (PFS), including the publication and preparation of the technical progress report of the project or program, rests with the Project Management Unit (PMU). The PMU is also responsible for:

a) the selection and application of accounting principles. The PMU prepares the Project Financial Statements (PFE) according to the applicable accounting standards: PFE either the International Public Sector Accounting Standards (IPSAS), the International Financial Reporting Standards (IFRS) or the National Accounting Standards.

b) the implementation of internal control procedures that allow for the preparation of financial statements that are 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) provide the auditor with:

i. access to all information deemed relevant to the preparation of the financial statements, including records, documentation and other matters;

ii. additional information that the Board 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 the progress of the project or program at least during the second and final audit; and

iv. unrestricted access to persons within the entity from whom the employer considers it necessary to obtain audit evidence.

3.2 **AUDITORS:** The auditor is responsible for providing an opinion on the financial statements of the project.

a) The auditor undertakes the audit engagement in accordance with the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) or the International Standards for Supreme Audit Institutions (ISSAI) issued by the International Organization of Supreme Audit Institutions (INTOSAI) or national accounting standards when these are acceptable to the Bank.

b) In accordance with these standards, auditors require the Execution Cell to confirm in writing the statements made in the audit, including the maintenance of an adequate system of internal control for the project or program and acceptable documentation of all financial transactions and the preparation of PFE.

4.0 SCOPE OF THE AUDIT

4.1 The audit will be conducted in accordance with the standards set out in paragraph 3.2 above and shall include such tests and verification procedures as the auditor considers necessary in the circumstances.

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

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

(b) the acquisitions of the goods, works and services financed have been carried out[1] in accordance with the provisions of the financing agreement in question and have been properly recorded in the accounting books;

(c) All appropriate supporting documents, documents and accounting records relating to project or program activities are retained. The auditor is expected to verify that all financial reports prepared and published during the reporting period have been prepared and published in accordance with the relevant accounting records;

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

(e) the financial statements have been prepared and approved by 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 approved financial and accounting procedures for the project (including 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 those assets have been established in accordance with the loan agreement;

(h) ineligible expenses have been clearly identified and reimbursed to the special account;

[1] Depending on the complexity of certain procurement activities, auditors may include technical experts on the audit team for the duration of the contract. In such a case, auditors will be required to comply with ISA 620: **(Use by the auditor of the work of an expert of his choice).**

(i) the physical status of the project or program: (i) corresponds to the funds disbursed, (ii) is technically consistent with the project or program studies, and (iii) respects the planned timetable as far as possible; and

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

4.3 The assessment of internal control should include the following steps:

i. analyse the effectiveness of the control in the payment process for the acquisition of goods, works and services for the period under review, based on a representative sample;

ii. Analyze the effectiveness of control in the procurement process of the project or program on the basis of a representative sample;

iii. assess the effectiveness of control (including the existence of appropriate security mechanisms such as insurance) for assets funded by the project or program and ensure that they are used for their intended purpose;

iv. Assess 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 what follows:

- *Fraud and corruption*: In accordance with ISA 240 (The auditor's obligations with respect to fraud when auditing financial statements), auditors must identify and assess fraud-related risks, collect or provide sufficient evidence of the analysis of these risks, and properly assess the risks identified or suspected;

- *Laws and regulations:* In preparing for the engagement and performing audit procedures, the auditor should assess compliance with the provisions of laws and regulations that could have a significant impact on the PFE as required by ISA 250 (Consideration of laws and regulations in an audit of financial statements). In this regard, the Administrator will ask management if the entity is the subject of any pending or ongoing threats of legal action and assess the impact on the financial statements, resources, and development objectives of the program or project.

- Governance: Communicate with corporate governance constituents on significant audit matters related to corporate governance, in accordance with ISA 260 (Communication with Corporate Governance Constituents);

Risks: To reduce audit risks to a relatively low level, auditors apply appropriate audit procedures and correct the anomalies/risks identified during their assessment. This procedure is in accordance with ISA 330 (Auditor's Responses to Assessed Risks).

5.0 PROJECT FINANCIAL STATEMENTS

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

For the purposes of presenting the financial statements, the auditor should verify and ensure that the PFS have been presented using the borrower's functional currency. Where functional currency is not used for the purpose of presenting PFE, it is necessary to carry out a full currency conversion. The auditor should obtain from management the rationale for the use of a currency other than the functional currency in the presentation of the financial statements.

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

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) **Income Statement** (for revenue-generating projects) or **Statement of Income and Expenditure** (for non-revenue-generating projects or programs[2]);

(iii) **Table presenting cash flows** during each financial year;

(iv) **Notes to the Financial Statements** describing the applicable accounting principles and a detailed analysis of the main accounts.

[2] All revenues generated by the project or program, such as the sale of tender documents, disposal assets of project or program, bank interest income on the special purpose account, and fees collected must be accounted for and reported.

5.1 As an appendix to the above-mentioned financial statements, the report should include:

c) A statement of reconciliation between the amounts reported under the heading "Funds received from the Bank" and those disbursed by the Bank. This reconciliation statement should specify the disbursement methods, i.e., special account, direct payment, repayment guarantee or repayment method that matches the disbursement methods to those recommended in the valuation report and the disbursement letter.

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

e) The portion of the capital asset register that provides a complete list of all capital assets acquired with project resources. The list should include items such as: date of acquisition, cost of acquisition, unique identification marks/tags, location, date of verification, condition, and other observations.

6.0 SPECIAL ACCOUNTS AND OTHER BANK ACCOUNTS OF THE PROJECT OR THE PROGRAM

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

a) All Statements of Expenditures (SOE) and reconciliation statements for the Special Account submitted for replenishment correspond to the relevant information;

b) The internal control surrounding the use of the special account is sufficiently reliable to justify the constant requests for renewal;

c) For each audit engagement, on the basis of the unadjusted balance reported by the Bank at the end of the financial year, the borrower shall make available to the auditor, for the audit in question, the corresponding expenditure statements justifying the use of the unsupported amount in the books of the Bank Group.

d) The auditor is required to review the expense statements, special purpose account reconciliations and supporting documentation and report on their reliability and objectivity in the letter to management. Any discrepancies - if any - are also reported in this letter. The statements of expenditure and the statement of reconciliation of the special account are appended to the financial statements in the auditor's report.

e) Any transfer of funds between the special account and other bank accounts of the project, on the one hand, and between all bank accounts of the project (including the special account) and accounts not linked to the project during the fiscal year on the other hand, is justified.

f) For the final audit engagement, the auditor will have to determine whether all the procedures for the liquidation of the special account have been complied with, in particular: the presentation of all statements of expenditure relating to the use of the resources of the special account, the transfer to the Bank of unused balances, the closure of the special account, the final reconciliation statement of the special account annexed to the report, in the format set out in Annex 12 of the Bank's Disbursement Manual.

6.2 **Matching contribution:** The auditor reviews the matching contribution to ensure that:

a) agreed cash contributions have been included in the annual budget of the central government and disbursed in time for the project or program;

b) the matching resources have been used for the purposes intended by the project or program;

c) There is an adequate basis for the measurement of the in-kind matching contribution for inclusion in the financial statements.

7.0 TECHNICAL REVIEW

7.1 In accordance with ISA 620[3], the auditor will be required to verify the physical status of the project to ensure that:

a) the outputs described in the technical progress reports physically exist and comply with the required and agreed technical specifications;

b) the costs of these activities correspond to the project or program estimates for these activities;

c) The expected completion times correspond to the agreed life of the project or program.

8.0 AUDIT REPORT

8.1 The audit report will include (i) a report on the financial statements, and (ii) a letter to management.

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

i. the auditor's opinion on the financial statements of the project or program; and

ii. all financial statements of the project or program and other relevant documents, as outlined in section 5.3 above.

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

i. Provide comments on the accounting records, procedures, mechanisms and controls that were examined during the audit;

ii. To identify gaps and weaknesses in the control system and to make recommendations to improve the situation;

iii. Report on the level of compliance with each of the financial clauses of the loan or grant agreement and make observations, as appropriate, on internal and external issues that affect such compliance;

[3] International Standard on Auditing (ISA 620) addresses the obligations of the auditor in relation to the work of an individual or organization in an area of expertise other than accounting and auditing, when that work is used to assist the auditor in obtaining sufficient and appropriate audit evidence.

iv. Assess materiality and report on expenses deemed ineligible paid through the Special Account or claimed from the Bank by the borrower;

v. Report on the progress of the project and make appropriate observations, as appropriate, on internal and external factors that affect the implementation and achievement of the expected results of the project or program;

vi. Report on the quality of project/program outputs (overall compliance with specifications and expectations) and provide observations and recommendations, as appropriate, on ways to improve performance;

vii. Report on the status of implementation in accordance with the life of the project or program and make observations, as appropriate, on internal and external factors affecting the likely completion of the project or program;

viii. Report on the effectiveness of the management of special accounts (including ensuring strict compliance with the requirements set out in the Disbursement Manual, etc.). For the specific case of the final audit of the project, indicate the status of the measures taken by the project or program to clear all unjustified balances under the special account, close the special account and transfer any unencumbered balance to the Bank.

ix. Report on the status of implementation of the recommendations made in the audit reports for previous years;

x. Raise issues that came to its 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 attention of the borrower any other matter that the borrower considers relevant.

8.2 The management letter 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 the internal review processes and undertake a comprehensive review of the audited PFE and the Management Letter, and will provide the borrower with relevant observations and recommendations, including on the admissibility or non-admissibility of the audited PFE.

9.2 In the event that the audit is carried out by a private auditor, the payment of the audit fee is made by direct payment after review, approval and acceptance of the audit report by the Bank.

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

10.0 GENERAL INFORMATION

10.1 The audit report must reach the Executing Agency by the date agreed in the audit contract in order to allow it to be submitted to the Bank within the deadlines set out 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 the auditor deems necessary. In addition, 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 all project or program activities to conduct physical inspections and technical assessments as necessary.

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

(a) Terms and Conditions Applicable to Loan, Grant and Guarantee Agreements;

(b) Special conditions if applicable;

(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) Aide-memoire and official communications with the Bank;

(i) Rules for the acquisition of works, goods and services;

(j) Technical implementation studies of the project or program;

(k) Project/Program Operations Manual;

(l) Expense statements 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) Report on the technical progress of 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 the Bank.

11.0 AUDITOR EXPERIENCE AND SKILLS

11.1 The auditor must be an accounting firm, regularly registered on the roll of a nationally or regionally recognized order of chartered accountants. He or she must have proven experience in accounting and financial auditing of development projects/programs, especially those financed by donors.

11.2 Key audit engagement personnel should include at least the following duties:

(a) **Audit Director:** Chartered Accountant (CA, ACCA, CPA, DEC, DECOFI, etc.) with at least 10 years of experience, of which five years must have been spent auditing projects/programs financed by the African Development Bank or any other Multilateral Development Bank. He or she must demonstrate that he or she has carried out at least five (5) accounting and financial audit engagements of projects financed by the African Development Bank or any other multilateral development bank during his or her experience. An audit of one or more Results-Based Finance Projects (FAR ou RBF) will be an asset.

(b) **Head of Mission:** Chartered Accountant (CA, ACCA, CPA, DEC, DECOFI, etc.) with at least 5 years of experience, three of which must have been spent auditing projects/programs financed by the African Development Bank or any other Multilateral Development Bank. He or she must demonstrate that he or she has carried out at least three (3) accounting and financial audit engagements of projects financed by the African Development Bank or any other multilateral development bank during his or her experience. An audit of one or more Results-Based Finance Projects (FAR or RBF) will be an asset.

(c) **Senior Auditor:** Trainee Chartered Accountant with at least three years of experience in an audit firm, two of which must have been dedicated to the audit of projects/programs financed by the African Development Bank or any other Multilateral Development Bank. He/she must demonstrate that he/she has carried out at least one (1) accounting and financial audit of projects financed by the African Development Bank or any other Multilateral Development Bank during his/her experience. An audit of one or more Results-Based Finance Projects (FAR or RBF) will be an asset.

(d) **Senior Technical Auditor:** A qualified technical professional with at least 5 years of experience in the relevant industry. Experience auditing projects funded by multilateral development organizations or conducting technical audits would be an asset.

(e) **Specialized Procurement Auditor:** If applicable, a Certified Procurement Professional (CIPS or equivalent), with at least 5 years of professional experience in conducting procurement audits and/or performing procurement activities in multilateral donor-funded projects or programs.