



“Support to CARIFORUM States in Furthering the Implementation of their Economic Partnership Agreement Commitments and in Meaningfully Reaping the Benefits of the Agreement”

TERMS OF REFERENCE
FOR A FINANCIAL AND ACCOUNTING GAP AUDIT AGAINST THE
EUROPEAN UNION (EU) NINE - PILLAR ASSESSMENT MODEL
FOR CROSQ AS REQUESTING TO BE ENTRUSTED WITH
IMPLEMENTATION OF AN EU BUDGETED PROJECT

CARICOM Regional Organisation for Standards and Quality
(CROSQ)



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1. INTRODUCTION

Context

Article 154 of the Financial Regulation ('FR') applicable to the general budget of the European Union ('EU') sets out the methods of implementing the budget, including 'indirect management'. Under indirect management, the Commission can entrust the implementation of Union funds or budgetary guarantees to the countries, organisations and bodies (further referred to as 'entities') indicated in Article 62 of the FR. CROSQ is considered one of these entities

When such entities manage EU funds, they are however, required to guarantee a level of protection of the EU's financial interests equivalent to that required under the FR. **More specifically, they must meet requirements with regard to Nine 'Pillars'**. These pillars relate to:

- 1) the internal control system ;
- 2) the accounting system;
- 3) an independent external audit;

as well as rules and procedures for:

- 4) providing financing from EU funds through grants;
- 5) procurement;
- 6) financial instruments;

and also:

- 7) exclusion from access to funding;
- 8) publication of information on recipients;
- 9) protection of personal data.

Entities such as CROSQ wishing to work with EU funds under the indirect management mode must, therefore, undergo a comprehensive **Nine Pillar assessment**

In preparation for an eventual Nine Pillar Assessment, the CROSQ Secretariat will be first conducting a Gap Audit against the EU's Nine Pillar Assessment model.

Based on the results, findings and recommendations arising from this Gap Assessment, the CROSQ Secretariat will use the Gap Audit Report arising to commence implementation of the recommendations to close the gaps identified. Thereafter, CROSQ will apply to the EU for their auditors to perform a formal Nine Pillar Assessment Audit.

2. OBJECTIVES

An auditor will be engaged by this TOR to assess the systems put into place and the controls, rules and procedures applied by CROSQ for each of the nine pillars against the criteria set by the EU Commission for each pillar. The auditor will be expected to more act as a consultant in a learning and growth environment during this intervention rather than a third party, purely independent, entity.

Specifically, the **objective** of this gap audit is to: (i) enable the auditor to report qualitatively and quantitatively on the degree to which CROSQ fulfills the requirements of each of the nine pillars as described below and using the EU templates as provided at **Annex 2** and **Annex 2a** to this TOR; and (ii) express a conclusion as to CROSQ's level of readiness to pass each pillar test, and to make recommendations to close any gaps identified using **Annex 4** to this TOR, with appropriate modifications:

- Pillar 1 : seeks to assess the functioning, in all material respects, of an effective, efficient and economical **internal control system** based on international best practices and in line with the criteria set by the European Commission;
- Pillar 2 : seeks to assess the **accounting system** to ensure that it provides in all material respects, accurate, complete and reliable information in a timely manner, based on international accounting standards and in line with the criteria set by the European Commission;
- Pillar 3 : seeks to assess the level of effectiveness of CROSQ's **external audit**, to ensure that it is performed in all material respects in accordance with internationally accepted auditing standards;
- Pillar 4 : seeks to assess the level that appropriate rules and procedures are in place and in all material respects, for providing financing from EU funds through **grants** and in line with the criteria set by the European Commission;
- Pillar 5 : seeks to assess the degree to which appropriate rules and procedures are in place, and in all material respects for providing financing from EU funds through **procurement** and in line with the criteria set by the European Commission;
- Pillar 6 : seeks to assess the degree to which appropriate rules and procedures are in place in all material respects for providing financing from EU funds / budgetary guarantees through **financial instruments / budgetary guarantees** and in line with the criteria set by the European Commission;
- Pillar 7 : seeks to assess the degree to which appropriate rules and procedures for **excluding third parties from access to funding** for good cause, are in place in respect of procurement, grants and/or financial instruments;
- Pillar 8 : seeks to assess the degree to which CROSQ's systems and procedures are in place in respect of making public, **information on the recipients of funds** in an appropriate and timely manner;
- Pillar 9 : seeks to assess the degree to which appropriate **protection of personal data** systems or equivalent are in place.

In addition, and without prejudice to the final scoring, the auditor may assess whether CROSQ fulfils other important international / EU standards regarding controls related to tax avoidance and non-

cooperative jurisdictions, anti-money laundering and countering terrorism financing; this can be taken under Pillar 6.

3. AUDITOR SERVICES / SCOPE OF WORKS

The auditor who performs this Gap Audit will, for each Pillar, be expected to :

- Use **Annex 2a** to conduct primary and then secondary qualitative sample - based research within the CROSQ Secretariat against each EU criteria as shown, so as to make Auditor's Comments in the column shown. The Auditor is not limited by anything shown on these non-exhaustive forms and is expected to use professional judgement to determine whether evidence is sufficient and appropriate for the learning and growth nature of this exercise (Section 4.3, second paragraph refers). *Note : before the interview on each Pillar, the Auditor & CROSQ Secretariat will first review to completion the mutual understanding, relevance or adaption of each question in Annex 2a - adaption/omission is allowable for the purpose of this gap analysis intervention, but only by exception - especially so for Pillars 4,5 and 6 which may not be totally applicable to an entity like CROSQ, but which we will seek to complete nonetheless. Any changes made, will need to be reflected in Annex 2 and Annex 4 (Annex 2 is essentially, a high level summary of Annex 2a; and Annex 4 is the main Report of the entire exercise)*
- Use **Annex 2a** to then rate on a scale of 1 to 10 by professional judgement, CROSQ's state of readiness for compliance to each of the EU's criteria as shown, and to register this quantitative Score in the column shown. Before beginning this exercise, the auditor is expected to subdivide the scale into defined intervals in consultation with CROSQ e.g. 1 and 2 means non existence, 3 and 4 means something is in place, but inappropriate etc
- Then use **Annex 2** to first summarize the auditor's quantitative Scores (see Level 2 Question/s) and then conclude a qualitative Opinion (see Level 1 Question). Note that for each pillar there is only one overarching Level 1 Question set on the basis of generally accepted financial regulations. This Question is fundamental in that there are only two types of conclusions that can eventually be drawn:
 - If the answer to the question at level 1 is 'yes', then this means that the entity complies with the requirements for the pillar concerned. The conclusion of the auditor must be formulated in the positive form, which is equivalent to an 'unqualified opinion'.
 - If the answer to the question at level 1 is 'no', then this means that the entity does not comply with the requirements for the pillar concerned. In this case, the conclusion must be formulated in the adverse form, which is equivalent to what is called an 'adverse opinion' under international standards.

The auditor, will thereafter be expected to produce a **Gap Audit Report** as guided by the the EU's Pillar Assessment Report format as shown at **Annex 4**. A Draft Report is expected to be prepared for discussion, and that will lead to a Final Report. *Note : Appropriate modifications can be made to the format of the Report in consult with the CROSQ Secretariat before this exercise, such that the results, findings, recommendations and conclusions arising, per Pillar, is clearly explained and fit-for-purpose.*

It is expected that this consultancy will last no longer than 20 working days and not exceeding August 31, 2024, and will be conducted under the supervision of the 11th EDF Project Coordinator, and who will guide the collaborative work with the respective CROSQ authorities as requested by the auditor e.g. Manager Finance, Chief Executive Officer etc

4. REQUIREMENTS FOR THE AUDITOR

4.1 General Principles

The auditor must be an **external auditor** who is a registered member of a national accounting or auditing body or institution which in turn is a member of an internationally recognized federation of accountants (e.g. IFAC) and who is certified to perform audits.

4.2 Qualifications, Experience and Team Composition

Qualifications and experience

The auditor must employ sufficient staff with: (i) appropriate professional qualifications and suitable experience with IFAC or equivalent standards, in particular the ISAE 3000 for Assurance Engagements other than Audits or Reviews of Historical Financial Information or equivalent; and (ii) with experience in performing institutional or compliance assessments and/or performing systems audits or equivalent engagements of entities comparable in size and complexity to CROSQ.

In addition, it is desirable that the engagement team as a whole has experience with institutional or compliance assessments and/or systems audits or equivalent engagements of EU funded programmes and projects funded by national and/or international donors and institutions.

It is also desirable that the leader of the fieldwork team i.e. either the manager or the senior auditor has experience with systems audits of EU funded external aid actions and / or other EU funded actions, and/or institutional or compliance assessments of organisations in the development aid sector and/or economic sector.

Curricula vitae (CVs)

The auditor shall provide CROSQ with CVs of the partner or other person in the audit firm who is responsible for this Gap Audit and for signing the final report, and also provide the CVs of the manager, and auditor/s proposed as part of the engagement team. CVs will include appropriate details on the type of engagements carried out by the staff, indicating capability and capacity to undertake the assessment, and will also include details on relevant specific experience. CROSQ will examine the CVs as part of its evaluation exercise in short listing and prioritizing candidates for contract negotiation / award.

4.3 Audit Plan - Activities, Timelines, and Payment Schedule

Along with the matters aforesaid, the auditor must provide in their Proposal, an appropriate level Audit Plan setting out, inter alia, the Activities, Timelines, Costings and Deliverables - Payment Schedule, noting that as said before, it is expected that this consultancy will last no longer than 20 working days and not exceeding August 31, 2024. It is also expected that Costing of the intervention (USD) will most likely take the form of simplified professional manday rates and mandays for key activities etc

It is required that this Gap Audit intervention will take place in a highly consultative manner, but with as minimal disruptions to the work of the CROSQ Secretariat as practical, rather than in a clinical or independent manner, because the underlying premise is learning and growth and developing a road map for CROSQ to use to close all gaps observed, before CROSQ applies for a formal EU Pillar Assessment to the European Union.

5. ENGAGEMENT CONTEXT

5.1 Location and Scope

This Gap Audit will be performed at the CROSQ office, 2nd Floor, Baobab Tower, Warrens, Barbados.

5.2 Engagement Context / Deliverables

The contract is expected to start with an *Inception Meeting* between the auditor and the CROSQ Secretariat team as led by the 11th EDF Project Coordinator and at which time, the auditor will present their proposed Audit Plan for discussion to finalization between the parties; including any limitations thereof. An *Inception Meeting Report* from the auditor is expected to follow, for approval by the CROSQ Secretariat.

Deliverables expected for the CROSQ Secretariat's approval (and then payment) as previously outlined are :

1. Inception Meeting Report
2. Annex 2a - completed
3. Annex 2 - completed
4. Annex 4 - Draft and Final Report - completed

6. INVITATION TO TENDER ON THE TOR

The auditor will be hired under a contract and supervised by the CROSQ Secretariat for the purpose of delivering on the Scope of Work within the agreed time frame.

The CROSQ Secretariat shall provide the necessary support to the auditor in order to execute the assignment during the consultancy.

A Technical Proposal with Financial Requirements as per Sections 4 and 5 should be submitted no later than **1:00 pm Atlantic Standard Time (AST) on July 18, 2024**, to the CROSQ Secretariat Officer and sent by email to Mr. Terry Hutchinson at terry.hutchinson@crosg.org and copied to Ms. Shamone Carter at shamone.carter@crosg.org. Any proposal received after this deadline will not be considered.

CROSQ reserves the right to negotiate methodology, etc., and rates with the most eligible respondent, and thereafter, in order of sequential merit, should the preceding one prove unsuccessful.

ADDITIONAL INFORMATION

For further information, please contact Mr. Terry Hutchinson at terry.hutchinson@crosg.org and copied to Ms. Shamone Carter at shamone.carter@crosg.org.

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