



TERMS OF REFERENCE: AUDITOR

1.0 BACKGROUND

The Caribbean Disaster Emergency Response Agency (CDERA), a regional inter-governmental Agency, was established in September 1991 by an Agreement of the Conference of Heads of Government of CARICOM with responsibility for disaster risk management in the region

The Caribbean Disaster Emergency Response Agency (CDERA) was renamed, the Caribbean Disaster Emergency Management Agency (CDEMA) on September 1, 2009. CDEMA advances the work of CDERA and was provided with an expanded mandate, a broader stakeholder base and an improved governance structure. CDEMA fully embraces the principles and practice of Comprehensive Disaster Management (CDM) which is an integrated and proactive approach to disaster risk management.

The Agency has a membership of eighteen (18) CARICOM Participating States including Haiti and Suriname

1.1 Structure

CDEMA comprises:

- I. The Coordinating Unit (CU), which is the CDEMA secretariat, headquartered in Barbados;
- II. Eighteen (18) National Disaster Organizations, one in each of the Participating States;
- III. A Technical Advisory Committee, comprising the eighteen (18) National Disaster Coordinators (the head of each National Disaster Organisation). The Committee serves in a technical advisory capacity and makes recommendations to the Council on the Agency's Work Programme,
- IV. A Council, which is the governance and policy making body. It is comprised of the Heads of Government of the Participating States and meets annually to review the work of the Agency, approve its Work Programme and Administrative Budget and make any other major policy decisions.

1.2 Functions

CDEMA's main function is to make an immediate and coordinated response to any disastrous event affecting any Participating State, once the State requests such assistance.

Other functions include:

- I. Securing, collating and channeling to interested governmental and non-governmental organizations, comprehensive and reliable information on disasters affecting the region;
- II. Mitigating or eliminating as far as possible, the consequences of disasters affecting Participating States;
- III. Establishing and maintaining on a sustainable basis, adequate disaster response capabilities among Participating States; and
- IV. Mobilizing and coordinating disaster relief from governmental and non-governmental organizations for affected Participating States.

Additionally, in its efforts to provide more effective services to the region the Agency has refocused its attention on Comprehensive Disaster Management (CDM), a new thrust in disaster management for the 21st Century. Within this context the focus is on all phases of the disaster cycle, all hazards and all sectors of the society.

Towards fulfilling this expanded mandate CDEMA's operation focuses on inter alias:

- I. Training for Disaster Management Personnel;
- II. Development of model training courses and products including audiovisual aids;
- III. Institutional Strengthening for Disaster Management Organizations;
- IV. Development of model Disaster Legislation for adaptation and adoption by Participating States;
- V. Development of model policies and guidelines for use in emergencies;
- VI. Contingency Planning;
- VII. Resource mobilization for strengthening disaster management programmes in Participating States;
- VIII. Improving Emergency Telecommunications and Warning Systems;
- IX. Development of Disaster Information and Communication Systems;
- X. Education, Information and Public Awareness;
- XI. Establishment and maintenance of a dynamic CDEMA website for information dissemination.

1.3 *Appointment of Auditor*

The appointment of auditors for the Caribbean Disaster Emergency Management Agency is subject to the recommendation of the Executive Director and the approval of the Management Committee of Council in accordance with CDEMA Agreement (2008) Article XV paragraph (g).

The following list of Funds is to be included in the Audit;

- I. Operating Fund;
- II. Support Services Fund;
- III. Emergency Assistance Funds;
- IV. Other Restricted Funds;
- V. Any Other Fund Not Listed.

The appointed Auditor will commence work following the receipt of a letter of engagement from the Director, Resource Management and Administration Division and will be appointed for a period of up to 3 years.

2.0 PURPOSE

Against this background CDEMA is seeking the services of an Audit Firm to audit the Agency's annual financial statements beginning with the 2013 - 2014 accounting period.

The basic responsibilities of the auditors are:

- I. Providing reasonable assurance that the financial statements audited by them give a true and fair view, have been prepared in accordance with the relevant international accounting standards and other requirements and are in accordance with the authorities that govern them;
- II. Identifying, assessing and examining risks to regularity, propriety and financial control and report on significant weaknesses; and
- III. Providing constructive advice that will help the Agency to improve governance, including financial management, control and reporting.

3.0 OBJECTIVES

- 3.1 To collect and review financial policies, procedures, plans, and forms used within CDEMA Coordinating Unit in accordance with the International Financial Reporting Standards (IFRS);
- 3.2 To provide a final audit report and management letter, if necessary.

4.0 AUDIT GUIDELINES

4.1 *Start Date*

The Audit is expected to commence by Mid-November. Prior to the start of the audit work, auditors will be required to attend a Pre-Audit Meeting to be conducted by the Director, Resource Management and Administration Division, the Finance Manager and the Finance Officer with a view to obtaining an understanding of the scope of work and agreement on an audit schedule work plan. Further, upon completion of the draft audit report and management letter, the auditor will be required to meet with the Director, Resource Management and Administration Division, the Finance Manager and the Finance Officer to debrief them on the major findings from the

audit and the recommendations for future improvements as well as to seek the Agency's feedback thereon.

4.2 *Audit Scope*

4.2.1. Scope of Work

The Auditors will be expected to:

- I. Audit the accounting records, for the annual accounting period of the CDEMA Coordinating Unit located at Building #1, Manor Lodge Complex, Lodge Hill, St Michael, Barbados;
- II. Conduct the audit in accordance with International Standards on Auditing (ISA) and will have authority to audit all financial resources of the Agency and objectively determine the following:
 - a) Programmes, projects and activities are being conducted as approved by Council to accomplish the intended objectives;
 - b) Programmes, projects and activities are efficiently and effectively implemented;
 - c) Funds expended are in compliance with established procedures;
 - d) Revenues are being properly collected, deposited and accounted for;
 - e) Financial and other reports are being provided that discloses fairly and fully information necessary to determine the scope and nature of programme activities and also provide a proper basis for evaluating programmes and activities;
 - f) There are adequate operating and administrative procedures and practices, internal control system and internal management controls;
 - g) There are no indications of fraud or abuse which may require further investigation;
- III. Verify the mathematical accuracy of the accounts by ensuring that the expenditures described in the supporting documentation are reconciled to the expenditures, by disbursing source, in the accounts;
- IV. State in the audit report if the audit was not in conformity with any of the above and indicate the alternative standards or procedures followed.

4.2.2 *The Audited Report*

The audited report will be presented to Director, Resource Management and Administration Division, the Finance Manager and the Finance Officer. The auditor's opinion should include the following. (Refer to Appendix 1 for a sample Audit Report):

- I. The nature of the report and its intended use;
- II. The audit standards that were applied;
- III. The period covered by the opinion;
- IV. Whether the financials present fairly the expenditures for the Agency and that the funds were utilized for the purposes described in the Agency work plan

The due date for submission of a first draft of the audit report is sixty (60) days after the commencement of the audit and the due date for the submission of the signed audited report is thirty (30) days after the submission of the first draft. The Management Letter (if necessary) will accompany the final draft report.

4.2.3 *Management Letter*

The auditors are required to submit a management letter if found to be necessary on the completion of the audit. The topics/issues to be covered in the management letter include inter alia:

- I. An assessment of the Agency's internal control system with equal emphasis on:
 - a) The effectiveness of the system in providing the Management with useful and timely information for the proper management of the Agency and
 - b) The general effectiveness of the internal control system in protecting the assets and resources of the Agency.
- II. A description of any specific internal control weaknesses noted in the financial management of the Agency and the audit procedures followed to address or compensate for the weaknesses. Recommendations to resolve/eliminate the internal control weaknesses noted should be included;
- III. Comments as to whether recommendations made in the management letter for the previous audit were implemented or, if not, the implementation status.

4.2.4 *Assessment of Internal Control*

The auditor is expected to conduct a general assessment of internal controls according to established internal control standards.

In addition to the above general assessment, additional specific steps include the following:

- I. Review expenditures made by the agency and assess whether they are in accordance with project documents, work plans and budgets; and are in compliance with the Finance procedures of the Organization;

- II. Review the process for procurement/contracting activities and assess whether it was transparent and competitive;
- III. Review the use, control and disposal of non-expendable equipment and assess whether it is in compliance with the Agency's Administrative and Accounting Procedures Manuals; and also whether the equipment procured met the identified needs and whether its use was in line with intended purposes;
- IV. Review the process for recruiting project personnel and consultants and assess whether it was transparent and competitive;
- V. Review the Agency accounting records and assess their adequacy for maintaining accurate and complete records of receipts and disbursements of cash; and for supporting the preparation of the quarterly financial report;
- VI. Review the records of requests for direct payments and ensure that they were signed by authorized officials.

4.2.5 *Recommendations for Improvement*

Recommendations should be directed to a specific department so there is no confusion regarding who is responsible for implementation. The response of the department should be included in the management letter, immediately following the recommendation.

Also, the auditor may wish to comment on "good practices" (if any) that were developed by the Agency.

4.2.6 *Available Facilities and Right of Access*

All records and documents are located at CDEMA's office situated at Building # 1 Manor Lodge Complex, Lodge Hill, St Michael. The auditors would have full and complete access at any agreed time to all records and documents (including books of account, legal agreements, minutes of committee meetings, bank records, invoices and contracts etc.) and all employees of the entity. The auditor has a right of access to banks, consultants, contractors and other persons or firms engaged by the Agency.

Appendix 1: Sample Audit Report

Auditor's report to:

The Executive Director, CDEMA

We have audited the accompanying balance sheet of the Caribbean Disaster Emergency Management Agency (CDEMA) as at August 31, 20XX and the related statements of changes in fund balances, operations and cash flows for the year ended August 31, 20XX. These statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on the accompanying statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing promulgated by the International Federation of Accountants. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects the financial position of the Agency as at August 31, 20XX and the results of its operations and its cash flows for the year ended August 31, 20XX in accordance with International Standards on Auditing.

AUDITOR'S SIGNATURE

DATE