

TERMS OF REFERENCE FOR INTERNAL CONTROL REVIEW

1. Background

Western Indian Ocean Marine Science Association (WIOMSA) is an NGO registered in Tanzania with a secretariat in Zanzibar. WIOMSA is dedicated to promoting the educational, scientific and technological development of all aspects of marine sciences in the Western Indian Ocean (WIO) region. WIOMSA supports ocean research and management in ten countries: Somalia, Kenya, Tanzania, Mozambique, South Africa, Madagascar, the Comoros, Mauritius, Réunion, and Seychelles. WIOMSA has operated since 1993 and received grant support from the Swedish International Development Cooperation Agency (Sida).

2. Project Description

WIOMSA is implementing its 5-year Strategic Plan (2021-2025), through which several programs and projects are being implemented, and other programs are expected throughout the strategic plan period. In May 2023, WIOMSA entered into a contract agreement with Sida for institutional support to enable it to carry out activities under a project titled "Sustainable Blue Future in the Western Indian Ocean", through Contribution No. 15568. The project aims to support a resilient, sustainable and productive WIO Blue Economy based on a trusted and diverse knowledge base, capacity, partnerships and resources. The project aims to apply research findings to policies, strategies, plans, directives, and initiatives in collaboration with regional governments, partners, and civil society.

WIOMSA intends to strengthen its internal control and management systems to deliver the project efficiently. As a result, WIOMSA wishes to hire a consultant/audit firm to assess internal control and management systems based on the terms of reference outlined below.

3. Objectives

The Primary objective of the Internal Audit is to review, evaluate and report on the adequacy of the internal control systems. The internal control systems established provide assurances that the WIOMSA's objectives will be achieved with particular reference to:

- the effectiveness of operations;
- the economic and efficient use of resources;
- compliance with applicable policies, procedures, law and relevant regulations;
- the safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption;
- the integrity and reliability of information, accounts and any data

Based on the findings, Sida will require that WIOMSA (hereafter called the "ORG") address the weaknesses appropriately before or during the agreement phase. Some of the measures might be included as agreement conditions to be followed up during the annual audit.

4. The assignment

This assignment will primarily focus on analysing the ORG's internal control systems to determine whether these can guarantee quality and accuracy in the entire organizational chain. The assignment includes a review in which routines and systems for operational and financial control are described and analyzed. In addition, the consultant shall submit recommendations regarding improvements deemed necessary.

4.1 Organizational structure, governance and legal status

Together with an overall presentation of the organizational structure of ORG, the following areas shall be assessed:

- Describe in an organogram the organizational structure, the relationship between headquarters and regional/country offices; legal status of regional/country offices, division of roles and responsibilities for financial management, monitoring and reporting.
- Does the management structure have clearly defined roles, authorizations and authorities?
- Are there bylaws/statutes that clearly stipulate the mandate of the board and the organization?
- Present the composition of the board; its members different competence's, the election process and the formal mechanisms in place to ensure the board's insight in the operation of the ORG
- Based on above, does the board have relevant competence, including competence in financial matters for an organization of this size? Are there any indications of conflict of interest for any board member? Is there a routine for listing the board members secondary occupation? If so, has any of the board members done so?
- Describe the decision-making mandate and delegation procedures through the whole organizational chain. Assess how formal decision-making mandates and delegation of funds and responsibilities work in practice. Is segregation of duties documented in an office manual or equivalent? Check compliance based on professional judgement.

4.2 Funds flow management

- Describe the financial flow within the ORG.
- Assess the financial situation of ORG by reviewing the Financial Statements. Are there any red flags related to the Cash & Bank-, Liability- and equity-posts, based on your professional judgement? Are there unrestricted funds available within the ORG? Are there financial support from other donors available? If so, describe the extent and nature of these funds.
- Describe the budgetary routines for the whole organization including regional and country offices as applicable and describe how project/programmes are prepared, approved and monitored.

4.3 Accounting policies, procedures and practice

- Does ORG have an accounting software that allows for adequate accounting records for an organization of its size and operation? Does the accounting software allow for project accounting? Is it used?
- Is there an office manual or equivalent stipulating rules and policies regarding (i) travel advances and other types of (ii) advances (iii) petty cash; (iv) inventories; (v) per diem level; (vi) routines for credit cards and (vii) payments etc.? Are regulations as well as rate-levels used to support these items deemed reasonable? Check compliance based on professional judgement.
- Are travels with business class allowed? Is it stipulated what standard of accommodation that is used for workshops and travels?
- Review whether there are systems in place to record salary costs in a systemized way.
- Review salary levels, allowances and benefits (including any bonus schemes, benefit packages both monetary and non-monetary) offered to staff. Are the levels assessed to be competitive and reasonable (Does ORG benchmark with similar organizations)?

- Review how salary, allowances and benefits structure is revised. Is a board approval necessary for raises and any changes related to top management?
- Review how overhead costs are calculated. Is there a cost recovery model in place? What is included? Does ORG follow-up and update the model on a regular basis? If so, please describe.
- Describe how ORG handles foreign exchange gains/losses and review whether the principle for handling and reporting exchange gains/losses is in accordance with good practice.

4.4 Risk management

- Describe and verify the system for risk analysis. Is there a systematic and regular follow-up of risks? Are there routines for risk reducing measures?
- Does ORG have sufficient staffing regarding resources, competence and professional knowledge to ensure preventive and proactive work with different types of risks?

4.5 Audit

- Is ORG audited according to national rules and regulations applicable to its legal form. Describe the type of audit (ISA, USGAAS, national standard, assurance engagement, agreed upon procedures)?
- When there are regional and/or country offices: are those offices audited according to the statutory requirements of the country in question? If so, how does the auditor of the overall financial statements of ORG, ensure that these audits are conducted according to applicable standards on auditing (taking ISA 600 into account). How are the costs incurred at the country offices included in the statutory audit?
- Does ORG follow-up and act on weaknesses identified in the audits in a systemized way?
- Verify if the auditor is external, independent and qualified?
- During how many years have the audit firm/signing auditor been auditing the organization?

4.6 Reporting and monitoring

- Describe the ORG's financial reporting structure (type of reports, budget follow-up, reporting and follow-up frequency). Is the structure relevant for ORG?
- Does ORG have a modern and adequate IT-system which is appropriate and includes clear routines for segregations of duties?

4.7 Procurement policies, procedures and practice

- Is there a procurement policy that includes adequate rules and regulations to manage planned procurement in compliance with applicable regulations? Sidas procurement rules for NGOs can be used for comparison purposes.
- Verify compliance to the procurement policy by reviewing a minimum of three to five different type of procurement actions.

4.8 Anti-corruption

Describe ORG's system for anti-corruption. Verify the following:

- Is there an anti-corruption policy¹ or has ORG in other ways described that they work proactive against corruption and/or other irregularities? Does ORG have documented ethical guidelines/code of conduct policy?² Does ORG have routines for reporting "secondary occupation"? Verify if the policies and guidelines are being implemented in a systemized manner?
- Does the partner have clear reporting channels for handling suspicions of corruption and/or other irregularities?
- According to the ORG, has any corruption cases occurred, and if so, how has it been handled? If support has been given by Sida: has ORG reported the suspicions to Sida?
- What eventual corruption risks have been identified during the assignment by the consultant that Sida has procured for this review?
- Does the ORG's staff participate in anti-corruption trainings? Are the anti-corruption trainings recurrent and does ORG keep records of the staff that have participated?

4.9 Respect for restrictive measures

- Review the ORG's routines for ensuring that suppliers and/or implementing partners financed by Sida funds are not subject to sanctions or restrictions under the European Union' sanctions list.

4.10 Forwarding of funds/sub-granting

Sida's support to ORG will involve forwarding/sub-granting of funds and therefore Sida needs to assess what routines and systems that are in place when funds are forwarded to other implementing partner organisations. Based on the findings, Sida will decide on eventual additional requirements that are needed in order to comply with Sida's rules.

- Does ORG assess the implementing partner organisation's capacity regarding competence, resources, internal control and work on anti-corruption, and if so, in what way? Are these assessments documented?
- Is the process for selecting partners transparent and clear?
- Are there signed agreements between ORG and its implementing partner organizations in subsequent link? Are the rights and obligations of the implementing partner organizations stipulated in the agreements? Are the agreement requirements in accordance with what is stipulated in the agreement between Sida and ORG?
- What reporting requirements; financial and results; including audits, does ORG place on its implementing partner organizations?
- Are eventual findings and weaknesses in the audit reporting from implementing partner organizations followed-up upon by ORG in a systematic and documented way?

¹ Note that it is not a requirement from Sida that the organization must have a separate documented anti-corruption policy or ethical guidelines/code of conduct policy. However, Sida greatly emphasize the importance that the organization as a whole have an adequate system for preventing, detect and taking measures on fraud and corruption.

² See note 1 above.

- Review whether there are routines for ongoing follow-up and monitoring of implementing partner organizations (for example field visits).
- How are implementing partner organizations in hard-to-reach areas followed up?
- Does ORG provide anti-corruption trainings to its implementing partner organizations?

Time schedule and reporting

The consultant shall make recommendations to address any weaknesses identified in the areas above. The recommendations shall be presented in order of priority.

The assignment will commence 25th January 2024. A start-up meeting at the ORG between the responsible programme officer and the consultant will take place during week (2nd Week). The consultant is expected to visit ORG's office(s) in Zanzibar. These visits are planned to take place between 30th January and 9th February 2024.

The consultant shall hold meeting at the ORG to present the report and the findings. The ORG shall have the opportunity to discuss eventual needs for clarifications. The recommendations shall be presented in order of priority.

The report should include an executive summary of maximum 2-3 pages. The executive summary should be able to be read as a standalone document. The report should clearly state that the ORG has commented and agreed to the report

If costs without sufficient supporting documentation are found, these costs shall be quantified.

The draft report shall be submitted to the ORG no later than (5th March 2023). The ORG will provide comments to the draft report no later than (15th March 2023) after receiving the report. The final report shall be proof-read and quality assured and submitted to Sida no later than (20th March 2024). The final report shall be submitted electronically to the responsible program officer.

The interested auditing firms are requested to submit a technical proposal and a financial proposal to secretary@wiomsa.org by 15th January 2024. Your proposal should be accompanied by the following: 1. Company Registration Certificate 2. Operating license 3. VAT registration certificate 4. Valid Tax Clearance Certificate 5. Provide at least two references for similar delivery in the recent three years. 6. Dully signed, dated, and stamped proposal

The systems audit should not take more than 20 workdays.

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