



**NILE BASIN INITIATIVE
NILE EQUATORIAL LAKES SUBSIDIARY ACTION
PROGRAM (NELSAP)**

**CONSULTANCY SERVICES FOR EXTERNAL AUDIT OF THE
FINANCIAL STATEMENTS FOR THE 12 MONTHS PERIOD ENDED JUNE
30th, 2024**

**FINANCING AGREEMENTS FOR REGIONAL RUSUMO FALLS
HYDROELECTRIC PROJECT FOR BURUNDI, RWANDA AND
TANZANIA**

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1. BACKGROUND

1.1 Introduction

The Nile Basin Initiative (NBI) is a partnership of the riparian states of the Nile. The NBI seeks to develop the river basin resources in a cooperative manner, share substantial socioeconomic benefits, and promote regional peace and security. Within the framework of the NBI, the Governments of Burundi, Rwanda and Tanzania have received financial support from the World Bank for the implementation of the Regional Rusumo Falls Hydroelectric Plant, conceived as part of the Nile Equatorial Lakes Subsidiary Action Program (NELSAP).

The Ministers in charge of energy in the three countries have decided to implement the project through a public financed, privately managed mechanism. A Rusumo Power Company Limited (Special Purpose Vehicle) has been established by the three governments to own the power plant infrastructure. The implementation has been delegated to NELSAP.

NELSAP has now established the Project Implementation Unit. This implementation is governed by the following agreements:

- The Shareholders Agreement between the Government of the Republic of Burundi, the Government of the Republic of Rwanda and the Government of the United Republic of Tanzania dated of 17th September 2013;
- The Implementation Agreement between the Government of the Republic of Burundi and the Government of the United Republic of Tanzania and the Government of the Republic of Rwanda and Rusumo Power Company Limited, dated of 17th September 2013, (“Implementation Agreement”);
- Financing agreements Grant no H872-BI, H 873-RW, IDA 5295-RW and IDA 5296-TA signed by and between the World Bank and the Government of the Republic of Burundi, the Government of the United Republic of Tanzania and the Government of the Republic of Rwanda, dated 11th October 2013;
- The Subsidiary Agreement between the Republic of Burundi and Rusumo Power Company Limited, dated of 26th February 2014 (“Subsidiary Agreement”);
- The Project Implementation Support Agreement between Rusumo Power Company Limited and Nile Basin Initiative (acting through its Nile Equatorial Subsidiary Action Program (NELSAP) dated of 24th January 2014.

The World Bank has issued the Declaration of effectiveness for the financing agreements July 11th 2014.

The first advance withdrawal has been received on 5th October 2014 and cumulative disbursements is estimated at USD 200 million at end June 2021 including USD around 17 million disbursed for year 2020/2021, which is required to be audited. Fiscal years 2014/2015, 2015/2016, 2016/2017 and 2017/2018, 2018/2019, 2019/2020, 2020/2021, 2021/2022 and 2023/2024 financial statements have all been audited.

The project implements also via two local independent communities Livelihood Restoration Programme since February 2017 in Ngara/Tanzania and in Kirehe/Rwanda.

Those two communities received funds and run their programme based on community procurement manual according to the memorandum of understanding signed between each community and NELSAP. They sent their financial statements and reports monthly to NELSAP. During the last quarter of 2017/2018 local area programme (LADP) has been launched in five

districts and communes in the three countries (district of Ngara on Tanzania side, Districts of Ngoma and Kirehe on Rwanda side and Communes of Busoni and Giteranyi on Burundi side).

Each district/commune signed a memorandum of understanding with NELSAP to guide the implementation of LADP. Rwanda and Burundi has each an LAPD Coordinator to manage the activities.

On Tanzania side LADP is managed through the government financial system with the same financial staff.

On Rwanda side all activities have been paid directly to the contractors/consultants by the Rusumo project on basis of the requests approved and submitted by the Districts.

On Burundi side Finance management and procurement specialists, Environmental Expert, Civil Engineer and Community Development Expert have been recruited to assist the coordinator in implementing LADP activities.

Starting with January 2022 all LADPs have recruited new and additional staff to be capable to implement their phase 2 programme.

Funds transferred to Communities and Districts are part of the scope of the external audit assignment which should require field visits to Communities and Districts Kirehe and Ngoma in Rwanda, Ngara in Tanzania and Communes Busoni and Giteranyi in Burundi

The auditor is requested to express a separate special opinion on the adequacy of the use of funds transferred to the communities in Rwanda and Tanzania and to the decentralized entities in Rwanda, Tanzania and Burundi.

1.2 Core Functions

The Regional Rusumo Falls Hydroelectric Project consists in the following main components:

1. A dam and hydro-electric power station of about 80 MW on the Kagera River at the Rusumo Falls located on the border between Rwanda and Tanzania to be shared between the three countries, and the multi-purpose project area development to improve the quality of life of the affected population;
2. Power Transmission lines connecting the power plant to the electricity grids of Burundi (at Gitega - 161 km), Rwanda (at Birembo/Shango - 109 km) and Tanzania (at Nyakanazi – 98km); Substations in Muyinga and Gitega for Burundi, Birembo and Bugesera for Rwanda, and Nyakanazi for Tanzania;

Only the first component is financed by the above agreements signed with the World Bank.

1.3 Project Description

The project aims to increase power supply to Burundi, Rwanda and Tanzania at an affordable cost by developing a common hydropower facility of approximately 80MW. The three (3) beneficiary countries shall also construct the associated transmission lines from the substation to the respective substations in each of the countries. The construction of the transmission line however is not the responsibility of RPCL but the power utilities of the respective countries. Additionally, the project will contribute to community development within the Project area through related social and environmental programs that might include watershed management and improved access to electricity.

The project consists in:

Civil works, mechanical and electrical works, social environmental impacts mitigation and owner's engineer and project supervision.

The expenditures of the 2023-2024 fiscal year are estimated to forty million USD including around twenty million USD for civil works and electromechanical equipment payments.

NELSAP now requires an auditor to audit the Rusumo Project financial statements for the twelve months of FY 2023/2024 covering 1st July 2023 to 30th June 2024.

2.OBJECTIVE OF THE FINANCIAL STATEMENT AUDIT

The objective of the audit of the Financial Statements (FSs) is to enable the auditor to express a professional opinion(s) on the financial position of the Rusumo Project implementation for the period from 1st July 2023 to 30th June 2024, and the statement of receipts and expenditures of the period then ended.

The audit will be conducted in accordance with the International Standards of Auditing. The specific objectives of the audit are to:

1. Audit the financial statements relating to the Rusumo Project implementation as contractually committed and to ensure that the NELSAP is fully compliant with the project financing agreement contributions, funding requirements and other pertinent regulations;
2. Express an opinion on the adequacy or otherwise of the Rusumo Project financial management and operations of the Designated Account and in particular:
 - Verify all Interim Financial Reports (IFRs) including summary expenditure statements used as a basis for the submission of loan withdrawal applications to the World Bank, verify completeness, and accuracy of supporting documents;
 - Review the activities of the Designated Account associated;
 - Evaluate and obtain sufficient understanding of the internal control structure of NELSAP to assess control risk and identify issues which should be reported on, including material internal control weaknesses;
 - Perform tests to determine whether the NELSAP complied, in all material respects, with agreement terms and applicable laws and regulations. Any material instances of non-compliance and all indications of fraud should be identified and reported on.
 - Review the contract management of all works related transactions, to ensure that all advance, and retention are properly administered, and that performance, advance and/or retention guarantees are properly recorded, updated and there is a safety mechanism in place for the guarantees
3. Express an opinion as to whether all the funds have been provided and used in accordance with the relevant financing agreements, with due attention to

economy and efficiency, and only for the purposes for which they were provided;

4. Express an opinion as to whether goods, works and services financed have been procured in accordance with the relevant financing agreements including specific provisions of the World Bank Procurement Policies and Procedures¹;

3.PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The responsibility for the preparation of financial statements including adequate disclosure is that of NELSAP which is also responsible for ensuring compliance with the NBI financial and accounting policies. NELSAP will prepare the Financial Statements (FSs) in accordance with International Public Sector Accounting Standards issued by the Public Sector Committee of the International Federation of Accountants.

The auditor is responsible for forming and expressing an opinion on the Rusumo Project financial statements. The auditor would carry out the audit of the financial statements in accordance with the International Standards on Auditing (ISA), as promulgated by the International Federation of Accountants (IFAC). As part of the audit process, the auditor may request NELSAP a written confirmation concerning representations made in connection with the audit.

4.SCOPE OF THE AUDIT

As stated above, the audit of the Rusumo Project will be carried out in accordance with International Standards on Auditing (ISA) promulgated by the International Federation of Accountants (IFAC), and will include such tests and auditing procedures as the auditor will consider necessary under the circumstances. Special attention should be paid by the auditor as to whether the:

- (a) World Bank financing has been used in accordance with the conditions of the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
- (c) Goods, works and services financed have been procured in accordance with the relevant financing agreements including specific provisions of the World Bank Procurement Policies and Procedures 2;
- (d) All necessary supporting documents, records, and accounts have been maintained in respect of all project activities, including expenditures reported using Unaudited Interim Financial Reports (IFRs) methods of reporting. The auditor is expected to verify that respective reports issued during the period were in agreement with the underlying books of account;
- (e) Designated Account has been maintained in accordance with the provisions of the relevant financing agreements and funds disbursed out of the Designated account were used only for the purpose intended in the financing agreements;

¹ Depending on the complexity of procurement activities, the auditor may consider involving technical experts during the audit engagement. In cases where such experts are involved, the auditor is expected to comply with provisions of [International Standard on Auditing 620: Using the Work of an Expert](#). Consideration to use of the work of experts should be brought to the early attention of the borrower and the World Bank for mutual agreement and appropriate guidance.

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- (f) National laws and regulations have been complied with, and that the financial and accounting procedures approved for the project (e.g. operational manual, financial procedures manual, etc.) were followed and used;
- (g) Financial performance of Rusumo Project management is satisfactory;
- (h) Assets procured during the life of the project to date and in the current the financial period exist and there is verifiable ownership of NELSAP or beneficiaries in line with the financing agreements;
- (i) Ineligible expenditures included in withdrawal applications are identified and reimbursed to the Designated Account. These should be separately noted in the audit report.

In complying with International Standards on Auditing, the auditor is expected to pay particular attention to the following matters:

- a) **Fraud and Corruption:** Consider the risks of material misstatements in the financial statements due to fraud as required by ISA 240: The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements. The auditor is required to identify and assess these risks (of material misstatement of the financial statements) due to fraud, obtain sufficient appropriate audit evidence about the assessed risks; and respond appropriately to identified or suspected fraud;
- b) **Laws and Regulations:** In designing and performing audit procedures, evaluating and reporting the results, consider that noncompliance by each of the NELSAP implementing units with laws and regulations may materially affect the financial statements as required by ISA 250: Consideration of Laws and Regulations in an Audit of Financial Statements;
- c) **Governance:** Communicate audit matters of governance interest arising from the audit of financial statements with those charged with governance of an entity as required by International Standards on Auditing 260: Communication of Audit Matters with those Charged with Governance.
- d) **Risks:** In order to reduce audit risk to an acceptable low level, determine the overall responses to assessed risks at the financial statement level, and design and perform further audit procedures to respond to assessed risks at the assertion level as required by Internal Standard on Auditing 330: the Auditor's Procedures in Response to Assessed Risks.
- e) If the audit of the fiscal year 2023/2024 is satisfactory, his contract could be extended to cover closing audit without changing proposals.

5.FINANCIAL STATEMENTS (FSs)

The auditor should verify that the Rusumo Project financial statements have been prepared in accordance with the agreed accounting standards (see paragraph 3 above) and give a true and fair view of the financial position of the organization at June 30th 2024 and of resources and expenditures for the financial period ended on that date.

The Financial Statements (FSs) should include:

- (a) A statement of receipts and expenditures incurred including funds expenditures at Districts and communities in Burundi, Tanzania or Rwanda; showing funds from the World Bank.
- (b) A statement of fund balances of the Rusumo Project as at 30th June 2024.
- (c) A Summary of the principal accounting policies that have been adopted, and other explanatory notes;
- (d) A Budget performance breakdown of expenditures in (a) above categorized under the categories/components and funding source in line with the funding agreements.

6.INTERIM FINANCIAL STATEMENTS (IFRS)

In addition to the audit of the FSs, the auditor is required to verify all / IFRs used as a basis for the submission of loan withdrawal applications to the World Bank. The auditor will apply such tests and auditing procedures as considered necessary under the circumstances. Annexed to the FSs should be a schedule listing individual IFRs withdrawal applications by specific reference number and amount.

7.DESIGNATED ACCOUNT

In conjunction with the audit of the financial statements (FSs), the auditor is also required to review the activities of the Designated Account in line with the provisions of 4 (e) above.

The Designated Accounts comprise:

- Advance deposits received from World Bank and other funding sources;
- Replenishments substantiated by withdrawal applications;
- Interest that may have been earned on the accounts, and which belong to the recipient; and
- Withdrawals related to project expenditures

The auditor should pay particular attention as to the compliance with the Funding Agreements laid down procedures in the management of the Designated Account and also the balances of the Designated Accounts at the end of the fiscal period. The auditor should examine the eligibility of financial transactions during the period under examination and fund balances at the end of such a period, the operation and use of the Designated Account in accordance with the relevant general conditions, relevant financing agreements and disbursement letters, and the adequacy of internal controls for this type of disbursement mechanism.

The auditor should also examine eligibility and correctness of:

- Financial transactions during the period under review;
- Designated Account balance at the end of the year;
- The operation and use of the Rusumo Project Designated Account in accordance with the financing agreement; and
- The adequacy of internal controls for the type of disbursement mechanism.

8.AUDIT REPORTING

The audit report will include two parts:

8.1 A Financial Audit Report

The auditor will issue an opinion on the project financial statements (FSs) according to the ISA.

The auditor will express separate special opinion on the adequacy of the use of funds transferred to Communities and Decentralized entities in Rwanda, Burundi and Tanzania.

8.2 Management letter

In addition to the audit report, the auditor will prepare a management letter, in which the auditor will highlight key internal control weaknesses namely:

- (a) Give comments and observations on the accounting records, systems and controls that were examined during the course of the audit;
- (b) Identify specific deficiencies or areas of weakness in systems and controls, and make recommendations for their improvement;

The auditor will issue an opinion on whether the Regional RUSUMO Hydroelectric Plant complied with all applicable laws, regulations and guidelines in incurring expenditure

The auditor will issue an opinion on whether the financial resources were managed effectively, efficiently and transparently to enable the realization of value for money for public funds;

- (c) Report on the degree of compliance of each of the financial covenants in the financing agreements and give comments, if any, on internal and external matters affecting such compliance;
- (d) Communicate matters that have come to his/her attention during the audit which might have a significant impact on the implementation of the NELSAP planned activities funded under the Rusumo Project Preparation Advance.
- (e) Give comments on the extent to which outstanding issues/qualifications issues have been addressed;
- (f) Give comments on the previous audits' recommendations that have not been satisfactorily implemented; and
- (g) Bring to the recipient's attention any other matters that the auditor considers pertinent, including ineligible expenditures, suspected cases of fraud or corruption....

The management letter should also include management responses to the issues highlighted by the auditor.

9.AVAILABLE INFORMATION

The auditor should have access to all legal documents, correspondences, and any other information associated with the implementation of NELSAP activities and deemed necessary by the auditor. The auditor will also obtain confirmation of amounts disbursed and outstanding at the Bank. Available information should include copies of the relevant:

projects appraisal document; financing agreements and other related agreements; financial management assessment reports.

10. TIMING AND AUDIT LOCATION

The audit will cover transactions from 1st July 2023 to 30th June 2024. The financial statements, including the audit report, management letter and management response should be received by the NELSAP Regional Coordinator not later than 45 days from the date of signing of the audit assignment contract. The audit services will be provided at the NELSAP-CU - located in Kigali, Rwanda with field visit to communities and Decentralized entities. The timing of the audit will be agreed upon during the inception meeting.

11. AUDIT PROGRESS REPORTING AND SUPERVISION

Daily supervision of work and progress reporting is the Finance Officer. Ten hard copies and a soft PDF copy of the final audit report will be submitted to the NELSAP CU Regional Coordinator.

Item	Activity and contents of reports	Duration	Format of reports
1	Management Letter including all audit findings/issues, implications, cause/risk, and recommendations after the field visit. This will include areas of non-compliance with laws, regulations, and areas where financial resources were not managed effectively, efficiently and transparently to enable realisation of value for money for public funds;	4 weeks after signing contract	5 hard copies
2	Draft report detailing all the audit findings and recommendations for the client's comments.	5 weeks after signing contract.	5 hard copies of the draft report
3	Final Audit Report	1 week following receipt of comments from the client	10 hard and 1 e-copies of the Final reports

12. GENERAL INFORMATION

It is highly desirable that the auditor becomes familiar with the Bank's Guidelines on Annual Financial Reporting for World Bank-Financed Activities, June 30, 2003, which summarizes the Bank's financial reporting and auditing requirements. The auditor should be familiar with World Bank Procurement Guidelines, which can be obtained from NELSAP. The auditor should also be familiar with the Bank's Disbursement Handbook for World Bank Clients, Disbursement Guidelines for Projects: May 2006. These documents are available on the Bank's website and could also be obtained from the World Bank's Rusumo Project Task Team Leader.

13. QUALIFICATIONS AND EXPERIENCE

The audit firms shall be a firm member of Professional Accountant Organization recognized by IFAC, the International Federation of Accountants.

The firm shall have at least 10 years' experience in the audit project financed by International Development Partners, or audit of international organizations, and minimum 5 year of experience of World Bank financed projects.

The audit firm should have the capacity to deploy staff and resources in all three countries of Tanzania, Burundi and Rwanda

The team composition should be such that the key staff is qualified, experienced and skilled to carry out the audit exercise. The audit team will comprise, at least:

a) Team Leader/Financial Auditor with ACCA, CPA and at least a bachelor degree in auditing/accounting and minimum of 10 years' experience in auditing and with in-depth knowledge and experience of donor-financed projects. In addition, he/she should be a member of an accountancy professional body recognized by IFAC;

b) Audit manager /financial auditor with at least a bachelor degree in auditing/accounting and a minimum of 7 years' experience in auditing; and auditing donor funded projects. He/she should be a fully qualified accountant and a member of an accountancy professional body recognized by IFAC.

c) Senior Auditor /Financial Auditor. He/she should be a fully qualified accountant with a minimum of 3 years' experience in auditing donor funded projects.

d) A financial auditor with part professional accountancy qualifications and a minimum of 2 years audit experience of organizations similar in size and scope to Rusumo project.

Provisions for ensuring quality assurance should be guaranteed by way of having at least a partner, manager and audit seniors on the task. Where necessary a technical expert in the relevant area should be sought for the audit.

14.TERMS OF PAYMENT

100% of the total contract price shall be paid up on submission and acceptance of the final annual audit.