Terms of Reference (TOR)

Provision of External Audit Services for World Bank–Supported Projects Covering the Financial Years Ended December 31, 2025 and December 31, 2026

Background

The COVID-19 outbreak has been spreading rapidly since December 2019. On March 11, 2020, the World Health Organization (WHO) declared a global pandemic as the coronavirus rapidly spread across the world. The COVID-19 induced shock is adding to an already challenging macroeconomic situation in Jordan. Thus, affecting the living conditions of Jordanian households, with poor and near poor households are specifically vulnerable to this shock.

The Government of Jordan (GOJ) has been taking decisive actions to contain and mitigate the effects of COVID-19 outbreak, including activating The Jordan National Defense Law No. 13 of 1992, which came into force as of 17 March 2020 following a royal decree issued upon the recommendation of the Council of Ministers. Various necessary measures were undertaken by the Government of Jordan to combat the COVID-19 outbreak in the Kingdom and to provide protection to workers and to poor households. During the lockdown (March – June), informal workers, who account for 35 percent of the workforce, were the most impacted, in response the Government of Jordan, launched an Emergency Cash Transfer program to provide cash support to poor and vulnerable households affected by the COVID-19 pandemic in Jordan. 237,300 households received 3-months of Emergency Cash Transfers which includes 10,002 households from Gaza and 9,179 households of Jordanian women who are married to non-Jordanians. In response to the deteriorating situation, the GOJ announced two new programs in December 2020, to support households and workers affected by the pandemic and reaffirm its commitment to Takaful-1. The first program, Takaful-3, aims to support 100,000 households of informal workers affected by the pandemic over 12 months. Takaful-3 was designed in close collaboration with the World Bank and will be implemented by NAF. The second program, *Istidama*, aims to subsidize wages and social security contributions of 100,000 formal workers employed in establishments most affected by the COVID-19 pandemic over six months. In March 2021, the GOJ announced a new set of COVID-19 response measures, including (i) the expansion of Takaful-3 to 60,000 additional households: and (ii) the extension of *Istidama*'s benefit receipt period from May 2021 to December 2021.

1.1. Project Objective and Components

In response, the World Bank (WB) financed the Jordan Emergency Cash Transfer COVID-19 Response Project (P173974), through an IBRD loan with co-financing from an FCDO grant, to support the Government of Jordan represented by the National Aid Fund (NAF) to provide emergency cash response to about 270,000 poor and vulnerable households affected by the pandemic, including informal workers and poor households in Jordan under the Takaful regular cash transfer Program in 2020. World Bank approved 2 requests from the government to restructure the Emergency Cash Transfer Project In June 2021 and March 2022, respectively and to provide Additional Financing (P176807) and Second Additional Financing (P176815), , to support the government response programs, the restructured project, the Additional Financing and Second Additional Financing are formed of the following components:

- Component 1: Cash support to poor and vulnerable households affected by COVID-19 pandemic which focuses on providing Cash Transfers (CTs) to about affected poor and vulnerable households affected by COVID-19 and will include two subcomponents which are: (a) Subcomponent 1.1: Temporary CTs to vulnerable households (Takaful '2' Program and Takaful '3' Program), and (b) Subcomponent 1.2: Takaful Cash Transfer Program (Takaful '1' Program).

- Component 2: Project management, monitoring and evaluation which aims to support NAF with the management, Monitoring and Evaluation (M&E) of project activities. It will finance a fully staffed and equipped Project Management Unit (PMU) which will be housed in NAF and MOPIC. the PMU will support the implementation of all activities under components (1) and (4); and

- Component 4: Support to workers in firms affected by COVID-19. This component will finance "*Istidama"* which aims to finance temporary wage subsidies and social security contributions (up to JOD 1000) (US$193.245 million equivalent) in 2021, covering formal Jordanian workers in eligible private sector establishments. The objective is to protect workers while keeping establishments solvent and operational. The project will support approximately 100,000 workers.

1.2. Institutional and Implementation Arrangements

a. **Component (1): The National Aid Fund (NAF) is the implementing agency for this component.** NAF is Jordan's lead agency for CTs to the poor. NAF is responsible for the implementation of the key functions of the cash support provided through the Project, including data verification, selection of beneficiaries, enrollment, payment, M&E and GRM. NAF cash processes are fully automated which enabled NAF to expand support to more temporary CT beneficiaries through an Information Management System (MIS) with fully automated cash processes (registration, data verification, eligibility scoring, enrollment, digitized payments, and Grievance Redress). NAF has leverage on the systems that were built for the Takaful program with support from the WB, UNICEF, WFP, and other partners.

Registration for cash support and wage subsidies is done through online registration platforms that were established by NAF and SSC. Both agencies developed guidelines for registration, selection, enrollment, payment, as well as complaints and grievances.

Context

1. According to the Project Appraisal Document (PAD) (P176807), the Project shall always maintain a financial management system, including records and accounts, and prepare financial statements for the project in a format acceptable to the World Bank and adequate to reflect the operations, resources and expenditures related to the Project. Also, the Governing Body shall maintain records and supporting documents for all expenditures with respect to which withdrawals from the Loan/Grant Account were made (the records should reflect all categories of withdrawals SOEs, direct payments and replenishments of Special Accounts).

2. The General Purpose Project Financial Statements ("PFS") [i]are comprised of a (i) Statement of Cash Receipts and Payments by category for the year then ending and cumulatively from inception date up till the year ending including funds received from third parties (i.e. other

sources) (ii) accounting policies and explanatory notes including a footnote disclosure on schedules like: the list of all signed Contracts per category showing Contract amounts committed, paid, and unpaid under each contract, Statement of Cash Payments classifying the uses of funds i.e. project expenditures by component showing yearly and cumulative balances, Reconciliation Statement for the balance of the Project's Special/ Designated Account as of year ending showing the opening & closing balances, Fixed asset listing, and Statement of Cash payments made using Statements of Expenditures (SOE) basis as defined in the Loan/Grant agreements.

3. For procurements of goods and services to the Project, the Governing Body is required to comply with the World Bank Procurement Guidelines. The Loan/ Grant Agreements require that the records, accounts, and project financial statements mentioned above and the records and accounts for the Special/Designated Account for each fiscal year to be audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent Auditors acceptable to the Bank. Audited PFS should be submitted to the World Bank as soon they become available but not later than six months after the end of the fiscal year. In fulfillment of this statutory requirement, the Governing Body should engage a qualified independent audit firm according to terms of reference and scope of work acceptable to the World Bank, as summarized below.

Objective

4. The primary objective of the audit engagement is to enable the Auditor to express a professional opinion as to whether the project financial statements present fairly, in all material respects, the cash receipts and payments of the project for the year ended December 31, 2025 and the year ended December 31, 2026 and cumulatively from inception date till year end in accordance with the International Public Sector Accounting Standards, under the cash basis of accounting.

   The audit engagement will be carried out in accordance with the International Standards on Auditing (ISA), for this purpose, the Auditor shall carry out the necessary audit work of the financial statements, underlying records, and internal control systems and report any misstatements in the audit report and/or the management letter (if any).

Scope

5. The audit subject to this Terms of Reference is considered as a special purpose audit engagement for which, in addition to compliance with international standards, the Auditor needs to understand and take into consideration the internal controls over financial reporting, and the laws, regulations, guidelines and provisions governed by the Loan/ Grant agreements such as the World Bank Reporting requirements, Disbursement guidelines, and Procurement Guidelines in order to report any findings and observations in the audit report and/or the management letter. Accordingly, the Auditor should consider and assess the conclusions drawn from the audit evidence during the engagement as the basis for the expression of a clear written audit opinion. Moreover, the Auditor should obtain from management a Representation Letter as evidence of management's assertions in the project financial statements in accordance with ISA 580.

6. The audit will be carried out in accordance with International Standards on Auditing (ISA), having regard to relevant Loan/Grant agreements and World Bank particular requirements as part of the overall understanding of the Project and its internal controls. In the performance of the audit engagement, the auditor will consider the internal controls surrounding statements of expenditure.

Planning and conducting the audit will be in accordance with a risk based framework and a detailed and documented audit work program in accordance with ISA. The audit coverage will consider the risk of material misstatement because of error or fraud. A description of the nature, timing, and extent of the planned risk assessment procedures sufficient to assess the risk of material misstatement should be properly documented. A documentation of the assessment and determining of the audit materiality (ISA 320) and its relationship with audit risk when conducting an audit should be done. The audit program should include procedures, which are designed to provide reasonable assurance that material misstatements are detected. Finally, the audit scope should include procedures aimed at detecting potential fraud. Accordingly, the Auditor should be aware of his responsibility to consider fraud in the audit of the project financial statements as defined in ISA 240.

7. Below is a summary of focus areas that require special attention, understanding and consideration by the auditor during the performance of the audit engagement in accordance with ISA, any misstatements or observations need to be presented in the audit report and/or the management letter (if any):

    - All funds disbursed under the Project are eligible, have been used, accounted for, and classified in accordance with the relevant Loan/Grant agreements and all the disbursements made on behalf of the project are in accordance with the World bank disbursement guidelines, laws, regulations, guidelines, and provisions governed by the Loan/ Grant agreements.

    - An understanding of the internal controls over financial reporting involved in the preparation of replenishments, direct payments, payments through special commitments, and reimbursements i.e. expenditures reimbursed on the basis of Statements of Expenditures, and to report any observations or misstatements (if any);

    - Goods and services financed have been procured in accordance with World Bank Procurement Regulations for Borrowers under Investment Project Financing", dated July 1, 2016, revised November 2017 and August 2018.

    - All necessary copies of supporting documents, records, and accounts have been kept in respect of all projects. Clear linkages should exist between the books of account and the Project Financial Statements (PFS) presented to the Bank.

    - Where Designated Accounts have been used, they have been maintained in accordance with the provisions of the relevant Loan/Grant agreements.

      Project expenditures as reported by the Governing Body are reconciled with the amounts withdrawn from the Designated Account and the amounts deposited to the designated account are reconciled with the amounts disbursed from the Loan/ Grant agreements.

    - Eligibility of expenditures claimed under Statement of Expenditures submitted to the World Bank for replenishment. This is in addition to substantiation of these expenditures.

    - The fixed assets financed by the project are purchased in accordance with contracts and payment documents, are used for the purpose for which they were acquired and are physically existent.

- Checks are signed by those authorized by management and negotiated by the intended payee under a specific contract and as required under the terms of the Loan agreements.

8. The Auditor will be expected to review all correspondences with the World Bank in relation to the Project including copies of the Aide Memoires, Mission Reports, and assess progress on all financial issues. The Auditor will pay special attention to any specific risk area as mentioned in the project documents (such as PAD, etc.)

Audit Deliverables

9. For the project, the following is requested as deliverables on a yearly basis from the audit engagement:

(i) **Audit Report for the year ended December 31, 2025 and for the year ended December 31, 2026** which shall include an explicit professional opinion whether (i) The Project Financial Statements (PFS) present fairly, in all material respects, the cash receipts and payments of the Project for the year ending December 31st, 2025 and the year ending December 31st, 2026 and showing cumulative balances in accordance with the International Public Sector Accounting Standards (IPSAS), under the cash basis of accounting;

The Auditor should consider and consideration the focus points and matters included in section 7 above, and the relevant statutory and other mandatory disclosures and accounting requirements stipulated in the Loan/Grant agreements and report misstatements, exceptions and observations and their impact in the audit report and/or the management letter (if any).

(ii) **A Management Letter for the project** which should report any significant accounting and internal control issues and weaknesses arising from the audit of the. The letter, with management responses, and recommendation to address the situation and insufficiencies, should be made available to the Governing Body as mentioned in below table. As annex of the Management Letter, the Auditor will mention whether recommendations issued on the previous Management Letter have been considered by the DCU (if any).

Audit period and date of submission:

Reports	Audit Period	Submission date	
		Draft	Final
Financial Statements and Management Letter	Jan.01, 2025 to Dec. 31, 2025	31/03/2026	30/04/2026
Financial Statements and Management Letter	Jan.01, 2026 to Dec. 31, 2026	31/01/2027	15/02/2027

Duration and level of effort:

10. The audit assignment shall cover the period commencing January 01, 2025 and continuing through December 31, 2025, and cover the period commencing January 01, 2026 and continuing through December 31, 2026

    - The estimated numbers of professional staff-months required for the financial audit are one staff- months

General Principles for Audit

11. The Auditor should be registered as certified public accountant with the appropriate professional body in the country and have substantial experience in auditing major projects in the country. In case of government auditing, the audit team should be adequately staffed with qualified Auditors having relevant background and experience in auditing. Training and continued education should emphasize auditing standards, work paper techniques and audit documentation to ensure engagements comply with professional standards. The same audit principles should be applied if the audit is conducted by private or government Auditors. The Auditor shall ensure that its audit firm's system of quality control provides reasonable assurance that the work performed on an audit engagement meets the applicable professional standards and regulatory requirements.

Staff Requirements (Indicative):

12. Past experiences of Audit of Projects with similar assignments have shown that the key personnel in the audit team, their minimum qualifications and their anticipated inputs must be as indicated below:

    - Team Leader / Audit Partner:

      The audit team shall be led by a Team Leader/Audit Partner who holds a Certified Public Accountant (CPA) qualification and has at least eight (8) years of professional experience in external auditing.

    - Audit Manager:

      The day-to-day management of the audit shall be the responsibility of an Audit Manager with at least six (6) years of post-qualification professional experience in external auditing or accounting, of which a minimum of three (3) years shall be in a managerial or supervisory role.

    - Senior Auditor:

      The audit team shall include a Senior Auditor with at least four (4) years of professional experience in external auditing, of which a minimum of two (2) years shall be in a senior auditor or equivalent role.

    - Auditor:

      The audit team shall include an Auditor holding at least a Bachelor's degree in Accounting and having a minimum of two (2) years of professional experience in accounting and/or auditing.

Irregularities Including Fraud

13. The Governing Body is responsible for ensuring the establishment and maintenance of an adequate system of internal control. It is also responsible for ensuring compliance with statutory and other regulations, and for the prevention and detection of irregularities, including fraud. Although, the Auditor is not required to search specifically for such matters, the audit shall be planned and conducted so that the Auditor have a reasonable expectation of detecting material misstatements in the accounts resulting from irregularities, fraud, or breach of regulations.

14. The Auditor will report in writing any serious weaknesses, fraud, irregularities, or accounting breakdowns that they come across in the normal course of their duties to the designated office holder, Governing Body, and the World Bank without delay whether in the audit report or the management letter.

Access

15. The Auditor shall have rights of access to the books, accounts, vouchers, Loan/Grant Agreements, related Supplemental Letters, Project Appraisal Document, correspondence, and all other documents in relation of the Project and to such information and explanations as Auditors consider necessary to perform their duties and fulfill their responsibilities.

16. In addition, the Auditors will be provided with copies of the World Bank relevant publications that the Governing Body has to recognize including: (i) Financial Monitoring Reports for the World Bank –*Financed project : Guidelines for Borrowers* (ii) the World Bank "*Procurement Guidelines*" (iii) the World Bank "*Disbursement Guidelines*"

17. In turn, on occasions the World Bank representatives may wish to meet with Projects' Auditors, in connection with a visit to the Auditor's office, review of the audit working papers files and discussion of the work performed and conclusion reached by the Auditors. The Auditor should not limit access in any way and must reply to all inquiries raised by the World Bank representative. Failure to comply with this provision may disqualify the Auditors from dealing with all projects funded or administered by the World Bank. Formal discussion should normally be arranged through the Project's designated office holder or representative and during the audit engagement.

Miscellaneous

18. **Annual Meetings**. The Auditor will be requested to attend the meeting of the Governing Body to which the Project's annual reports and financial statements of account are presented (if any). The Auditor will receive all notices and other communications relating to that meeting which any member of the Governing Body is entitled to receive. The Auditor will discuss the audit report and management letter and any part of the business which concerns the Auditor.

19. **Termination of Appointment.** If there are serious shortcomings on the part of the Auditor, the Governing Body, after consultation with the World Bank, may pass a resolution to remove the Auditor before the expiry of their assignment, as governed by the local laws in Jordan.

20. **Restriction of Auditor's Liability**. There is no limitation of the Auditors' liability in respect of audit opinions given under this assignment. The Governing Body will not agree to any such restriction in liability, as governed by the local laws in Jordan.

21. **Exit Conference**. The Auditor should hold a closing or exit conference with senior officials of the auditee prior to concluding the audit. Upon completion of the fieldwork, the Auditor should present its audit result and document the exit conference for inclusion in the audit work papers.

The contract is annual and could be renewed upon satisfactory work result.

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[i] The Governing Body may refer to its internally generated PFS under other terminologies like "Project Sources and Uses of Funds" which also refers to the Statement of Cash Receipts and Payments, "Withdrawal applications by category" which also refers to the Statement of Cash payments and "Financial Summary Status report" which also refers to list of all signed Contracts.