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TERMS OF REFERENCE

INDEPENDENT EXTERNAL FINANCIAL AUDIT OF THE SA JUST ENERGY TRANSITION JOBS FIRST PROJECT

Country	Republic of South Africa
Project / Grant	SA Just Energy Transition Jobs First Project (SAJJOF) | P-ZA-IA0-004 | Grant 5500155015504
Executing Agency	Mpumalanga Department of Economic Development and Tourism (DEDT)
Implementing Agency	Mpumalanga Green Cluster Agency (MGCA)
Selection method	Least Cost Selection (LCS) | AfDB prior review
Procurement reference	**MGCA/SAJJOF/AUDIT/2026/01**
Procurement contact	procurement@thegca.co.za
EOI response period	At least 21 calendar days from publication

1. BACKGROUND AND PROJECT CONTEXT

The Republic of South Africa received grant financing from the African Development Bank (AfDB) for the SA Just Energy Transition Jobs First Project (SAJJOF), which supports gender and social inclusion in Mpumalanga. DEDT is the Executing Agency and MGCA is the Implementing Agency. The grant provides for an independent external audit of project financial statements.

The assignment is a project specific audit of the grant funded operation. It covers the full implementation period and supports the financial close out of SAJJOF. It does not cover MGCA's statutory annual financial statements.

2. OBJECTIVE

The objective is to obtain reasonable assurance that the project financial statements are free from material misstatement, whether due to fraud or error, and to express an independent opinion on whether they are prepared, in all material respects, in accordance with the applicable financial reporting framework and the SAJJOF financing agreement. The audit will also assess whether grant resources were received, recorded and used for their intended purposes, supported by adequate records and controls, and accounted for in line with the financing agreement and applicable AfDB requirements.

3. APPLICABLE STANDARDS AND DOCUMENTS

The audit shall be conducted in accordance with International Standards on Auditing (ISAs), applicable professional ethics and independence requirements, the project financial reporting framework, and the relevant requirements of the following project documents:

- The signed SAJJOF Letter of Agreement and its annexes, including sections 3.08(c) on financial audit and 3.09 on procurement, together with amendments and approved extensions.
- The SAJJOF Project Appraisal Report and the Bank cleared procurement plan.
- The AfDB standard Terms of Reference for external auditors of Bank funded operations and applicable financial management and disbursement instructions.
- Any written AfDB approvals or instructions applicable to the project and audit.

The financial reporting framework used for the project financial statements shall be identified in the statements and audit report. Management is responsible for selecting and applying that framework in accordance with the financing agreement and applicable project arrangements.

4. AUDIT PERIOD AND RESPONSIBILITIES

The audit period shall run from the commencement of grant financed implementation through the effective project closing date approved in writing by AfDB. It shall include all eligible transactions and related balances and disclosures recognised under the financing agreement through that date.

The MGCA is responsible for maintaining project books and records, safeguarding project assets, preparing the project financial statements and supporting schedules, selecting and applying appropriate accounting policies, providing complete records and explanations, and issuing written management representations. The auditor is responsible for independently planning and performing the audit, maintaining professional independence, and expressing the audit opinion. The auditor shall not prepare the project financial statements or assume a management function.

5. SCOPE OF WORK

The auditor shall plan and perform the work using a risk based approach and shall obtain sufficient appropriate audit evidence to support the opinion. The scope includes the following procedures:

5.1 Project financial statements and reconciliation

- Examine the completeness, accuracy, classification, presentation and disclosure of project receipts, expenditure, assets, liabilities, advances, commitments and balances for the audit period.
- Reconcile project ledgers and bank records to AfDB disbursement statements, direct payments, reimbursements, withdrawal applications and related supporting records. Verify opening and closing balances, currency translation and material accounting disclosures.
- Review quarterly financial reports and budget versus actual information for consistency with the final project financial statements, and report material unexplained differences.

5.2 Eligibility and use of grant resources

- Test whether sampled expenditures fall within approved grant categories, the project work plan and budget, the procurement plan, and the applicable period of eligibility.
- Verify that sampled expenditure is supported by contracts or approvals, invoices, evidence of delivery or acceptance, payment records and other required documentation.
- Review consultancy, personnel, procurement, training, event and operating costs charged to the grant, including any allocated or reimbursed personnel costs.

- Identify unsupported, duplicate, unapproved or otherwise ineligible expenditure. For each finding, state the transaction, amount, nature, financing source, evidence and recommended treatment.
- Where counterpart or other co-financing is reported, examine it separately and distinguish it from AfDB grant expenditure.

5.3 Procurement, contracts and disbursement

- Review a risk based sample of procurement actions against the applicable AfDB procurement framework, the Bank cleared procurement plan, the approved selection method, required no objections and contract approvals.
- Verify contract awards and amendments, evaluation records, consultant deliverables, acceptance evidence, payment certification and consistency between procurement records, commitments and the project ledger.
- Test Statements of Expenditure and withdrawal applications where used. Examine designated or special account transactions only if such an account was established for the project.

5.4 Internal control, assets and project reporting

- Assess the design and operation of relevant financial controls, including segregation of duties, approval limits, supporting document controls, bank and ledger reconciliations, audit trails and system access.
- Verify the existence, valuation and custody of material grant funded assets and examine related title, beneficiary or custody records where relevant.
- Review project progress information relevant to the financial statements and report material inconsistencies between reported activities or outputs and the expenditure records.
- Apply audit procedures addressing fraud risks and compliance with applicable laws and regulations. Communicate suspected irregularities and significant control weaknesses promptly through appropriate channels.

6. PROJECT FINANCIAL STATEMENTS AND SUPPORTING SCHEDULES

Management shall prepare an integrated set of project financial statements for the full audit period. The statements and related notes shall include, as applicable:

- A statement of sources and uses of funds identifying AfDB grant resources and any counterpart or co financing, with period and cumulative figures by category or component.
- A statement of project cash or bank movements and balances, including reconciliation of AfDB disbursements to accounting records and any outstanding advances or commitments.
- Statements of Expenditure and withdrawal applications, with accounting policies and material balance disclosures.
- Schedules of grant funded assets, payables, receivables, commitments and identified questioned or ineligible expenditure.

The auditor shall report when a listed statement or schedule is not applicable to the project and shall not include notional balances for an account or transaction type that was not used.

7. DELIVERABLES AND REPORTING

1. Inception memorandum and audit work plan, including the audit approach, risk assessment, records request, staffing, fieldwork schedule and reporting milestones.

2. Draft audited project financial statements and draft independent auditor's report for management review of factual matters, with proposed adjustments and questioned or ineligible expenditure identified separately.
3. Final audited project financial statements and signed independent auditor's report, including any modified opinion, emphasis of matter or other matter required under ISAs.
4. Management letter setting out prioritised internal control, compliance and governance findings, their implications, recommendations and management responses. Material findings shall be reported promptly.
5. Final reconciliation and close out schedules covering AfDB disbursements, withdrawal applications, expenditure by financing source, project assets and questioned or ineligible expenditure.

The auditor shall discuss draft findings with designated DEDT and MGCA management, allow management to provide responses, and retain responsibility for the independent conclusions. Final reports shall be submitted in signed PDF and editable electronic formats to DEDT and MGCA for formal transmission to AfDB. The auditor shall respond to reasonable requests from AfDB for clarification of the audit report.

8. TIMING

The complete audited project financial statements, independent auditor's report and management letter shall be submitted to AfDB no later than six months after the effective project closing date approved by the Bank. The current project closing date is 31 December 2026. Where AfDB approves a different closing date, the audit period and reporting deadline shall follow that approved date.

The auditor shall propose a work plan that allows early planning and interim review of records, fieldwork once final project financial statements are available, management review of factual matters, and timely delivery of the final reports. The contract schedule shall provide sufficient time for DEDT and MGCA to transmit the reports by the Bank's deadline.

9. FIRM ELIGIBILITY, COMPETENCE AND INDEPENDENCE

- The firm shall be legally constituted and eligible to provide the services under the applicable AfDB eligibility and sanctions requirements.
- The audit report shall be signed by an auditor authorised to perform the relevant professional audit work in South Africa, including current IRBA registration where required.
- The firm shall demonstrate experience in external audits of grant funded, donor funded, development finance or public interest projects. Experience with AfDB or comparable multilateral development bank operations is relevant.
- The proposed engagement partner shall hold a recognised professional audit qualification, be in good standing with the relevant professional body, and have at least eight years of relevant external audit experience. The team shall include appropriately qualified audit management and support personnel.
- The firm shall describe its quality management arrangements and demonstrate that it can meet the reporting timetable.
- The firm and proposed team shall be independent of SAJJOF, DEDT and MGCA. They shall disclose actual or potential conflicts of interest and shall not have prepared SAJJOF

accounts, authorised project payments, performed project bookkeeping or otherwise assumed responsibilities that impair independence.

10. SELECTION METHOD

The firm shall be selected using Least Cost Selection (LCS), with AfDB prior review, in accordance with the SAJJOF Project Appraisal Report, the Bank cleared procurement plan, the applicable AfDB procurement framework and the standard AfDB consultant Request for Proposals (RFP). Shortlisted firms will be invited to submit technical and financial proposals in the form and manner stated in the Bank cleared RFP. Technical evaluation and financial comparison will follow the disclosed RFP requirements. The contract will be awarded to the lowest evaluated responsive proposal among firms meeting the technical qualification requirements, subject to the required approvals and no objections.

11. FEE PROPOSAL, CONTRACT AND PAYMENT

- The RFP shall request an all inclusive lump sum fee in the currency and format stated in the Bank cleared RFP, with applicable taxes and reimbursable expenses identified separately.
- Payments shall be linked to the deliverables and acceptance arrangements stated in the Bank cleared contract.
- Any subcontracting or specialist support shall be disclosed in the proposal and managed in accordance with the RFP and contract. The appointed audit firm retains responsibility for the audit opinion.

12. INFORMATION ACCESS AND CONFIDENTIALITY

DEDT and MGCA shall provide the auditor with controlled access to the financing agreement, project appraisal report, approved procurement plans and budgets, project ledgers, AfDB disbursement information, Client Connection records, contracts, procurement and evaluation records, payment evidence, bank records, quarterly reports, project assets and other relevant information. The auditor shall protect personal, commercial and other confidential information, use it only for this assignment, comply with applicable privacy requirements, and retain working papers in accordance with professional standards and applicable AfDB requirements.