

Terms of Reference for the Audit of the Support for the Health Systems Strengthening for the Prevention and Care Management of Non-Communicable Diseases Programme

Financed by the Inter-American Development Bank

Loan Contract # 4668/OC-JA

Implemented by the Ministry of Health and Wellness Project Executing Unit

During the Period 1st January 2019 to 31st December 2019 and

1st January 2020 to 31st December 2020.

I. Basic Considerations for Audits of Projects Financed by the Inter-American Development Bank

These Terms of Reference provide the basic information needed by the auditor to obtain an understanding of the engagement, in order to prepare a proposal and to plan and perform the audit. The information must be complemented with: Terms of Reference for Audits of Projects, IADB project Disbursement Guidelines (2009), Financial Management Manual for the Project, Disbursement Letter and supporting annexes'. The auditors must also be familiar with the Financial Monitoring Reports for the Inter-American Development Bank financed Projects. These documents constitute the basic criteria against which the Bank will measure the quality of the auditor's work when performing the desk review of the audit report. Furthermore, the "Guidelines" are specifically considered an integral part of the TORs.

II. Relationships and Responsibilities

The client for this audit is the Implementing Entity (IE), Ministry of Health and Wellness, Project Execution Unit, and the Bank is an interested party. A Bank representative may participate in the entrance and exit conferences; supervise the work performed by the auditors to ensure that it complies with the terms of reference and the applicable auditing standards, and to provide comments on the draft audit report.

The implementing entity of the **Support for the Health Systems Strengthening for the Prevention and Care Management of Non-Communicable Diseases Programme** is responsible for preparing all the financial statements and reports required, and for ensuring that all the necessary records are available for the audit, that all the accounting entries and adjustments are made, and that all the necessary actions have been taken to allow the auditors to issue the final report on or before 30th April 2020 and 30th April 2021 respectively.

The auditors should maintain on file adequate working papers for a period of three years after the end of the audit. During this period, the auditors should promptly provide the working papers requested by the Bank.

III. Project Background

Strategic Objectives of the Project:

Project Objectives

The overall objective of the *Support for the Health Systems Strengthening Programme* (HSSP) is to contribute to the improvement of the health of Jamaica's population by strengthening comprehensive policies for the prevention of Non-Communicable (Chronic) Diseases. Specifically, the Programme seeks to develop/strengthen comprehensive policies for the prevention of NCDs risk factors and improved access to an upgraded and integrated primary and secondary health network in prioritized areas with an emphasis on chronic disease management, that provide more efficient and higher quality care.

Description

The Government of Jamaica has received two loans from the Inter-American Development Bank (IDB) to support the Health Systems Strengthening for the Prevention & Care Management of Non- Communicable Diseases (NCD) Programme. This is a hybrid programme with a policy-based operation, a programmatic policy-based loan series (PBP) and an investment loan that will invest in the physical infrastructure and equipment of Jamaica's health sector. The Policy Based Loan will benefit the Jamaican population at-large and is being implemented by the Ministry of Finance and the Public service while the Investment Loan will have approximately 800,000 potential direct beneficiaries who reside in the catchment areas of the health services networks that will receive investments.

The Investment Loan being implemented by the Ministry of Health and Wellness (MHW) has three (3) components as follows:

Component 1 – Organization and consolidation of integrated health services networks

This component will finance the purchase of medical equipment and the improvement of infrastructure for primary health care services in the catchment areas of three priority hospitals to increase their capacity in health promotion and disease prevention, especially regarding chronic, non-communicable diseases. The investments will focus on strengthening the diagnostic and screening capability as well as the clinical and resolute- capacity of health clinics. This will allow for more early detection and better management of the chronic disease burden and a reduction in the rate of avoidable hospitalizations. Concomitantly, the programme will provide resources for the upgrading and or expansion of three (3) hospitals selected on criteria relating to strategic role in the national hospital network, supply-demand gap analyses, and physical needs assessment. The hospitals will benefit from infrastructure upgrading and or expansion as well as modernization.¹ The interventions of this component will provide for a more rational utilization of health sector resources and will facilitate the more efficient distribution of cases according to complexity, with clinics and health centres attending to primary care patients while hospitals concentrate more exclusively on the higher complexity cases.

¹ In the infrastructure upgrading efforts, the MOHW is considering the options and lessons learned in the ongoing effort to retrofit public buildings to improve energy efficiency that has been led by the Petroleum Corporation of Jamaica.

Sub-Component 1.1 – Strengthening Primary Care

The purpose of this subcomponent is to increase the physical capacity for service provision at the primary care level in three (3) priority geographical areas. Based on an extensive review of the demographic, epidemiological, and service supply and demand gap information, the MOHW has identified ten (10) health centres to receive investments in medical equipment and infrastructure refurbishment and expansion. The subcomponent will finance: (i) the preparation of building designs for the construction of new infrastructure on the sites of existing facilities (three centres), expansion of existing structures (four centres), and refurbishing (three centres); (ii) the physical works required for infrastructure improvement; (iii) the purchase of medical equipment (including essential diagnostic and treatment items for NCDs, such as sphygmomanometers, electrocardiogram machines, pulse oximeters, defibrillators, computerized chemistry machines, etc.); (iv) engineering services for construction supervision; and (v) the design and implementation of corrective and preventive maintenance of medical equipment programme.

Sub-Component 1.2 – Increasing the Capacity and Efficiency of Hospital Services

This subcomponent will address urgent needs to enhance patient safety and services in three (3) hospitals whose catchment areas contain the health centres identified in subcomponent 1.1. Raising the level of complexity of services and the installed capacity to provide them at the centres and their reference hospitals should generate a more rational utilization of resources at both types of facilities since the hospitals will be less burdened by primary care patients and will be able to utilize their assets on treatment of acute cases. Financing from this subcomponent will be allocated to:

- (i) the building and engineering designs for infrastructure improvement and expansion;
- (ii) the construction in three hospitals according to contracted plans and designs;
- (iii) the purchase of medical equipment to raise clinical capacity to partially account for existing demand;
- (iv) the purchase of imaging equipment, including computerized tomography machines; industrial style laundry machines;
- (v) construction supervision services; and
- (vi) the design and implementation of a corrective and preventive equipment maintenance programme.

Component 2 – Improvement of Management, Quality and Efficiency of Health Services

This component will provide technical assistance to design and implement the CCM in the participating health services networks; to review and develop care pathways and protocols; and to prepare change management, continuous quality improvement and social marketing for behaviour change strategies. It will also finance the implementation of the fourth Jamaica Health and Lifestyle Survey. Given the lack of reliable and timely information for policy formulation and planning, as well as patient clinical management, this component will support:

- (i) the creation of a strong foundation for a digital health ecosystem, including the adoption of standards for interoperability, system architecture, updated governance structure, and other key elements;

- (ii) the design and implementation of a sustainable Electronic Health Record (EHR) platform focusing on digitalization of key processes within the improved CCM; and
- (iii) the strengthening of telehealth/telemedicine/telementoring capacity to include chronic care management, and the establishment of norms and processes for its institutionalization.

Component 3 Programme Administration and Evaluation

This allocation will support the MOHW in terms of strengthening its institutional capacity for project implementation. It will finance, inter alia, the consultants of the Project Execution Unit (PEU), specialized technical services, independent auditing, as well as surveys and studies regarding the implementation of the programme and evaluation of its impact. The PEU is structured to provide additional capability in the areas of project management, procurement, financial management, infrastructure upgrading, medical equipment specification, and health information technology. Technical and fiduciary staff from the MOHW will work closely with the PEU specialist so that the MOHW benefits from knowledge transfer and capacity strengthening

IV. Project Financing

The Project is funded through a US\$50M loan from the Inter-American Development Bank (IADB). The planned funding is as follows:

Components	Amounts (US\$)
COMPONENT 1 – Increasing the Capacity and Efficiency of Hospital Services	40,155,000
COMPONENT 2 – Improvement of Management. Quality and Efficiency of Health Services	7,500,000
COMPONENT 3 - Programme Administration and Evaluation	2,345,000
Total	50,000,000

Annual fiscal space to spend loan resources is provided through the Government of Jamaica budget cycle. For the fiscal period 2019/2020, an amount of JA\$216,000,000 (Approximately US\$1.7M) has been earmarked to be expended among Components 1, 2, and 3.

For the fiscal period 2020/2021, provision of fiscal space has been created for approximately JA\$1.17B (US\$9.M) in respect of external sources to support eligible expenditures under components 1, 2, and 3.

V. Audit Background

The IADB loan was approved on 7th December 2018 and includes a requirement for the project's resources to be audited annually. The project has not yet reach the stage for its first audit.

VI. Title of the Audit

All proposals, audit working papers and audit reports should refer to this audit using the following name:

“Audit of the Resources Managed by the Ministry of Health and Wellness under the Support for the Health System Strengthening for the Prevention and Care Management of Non-Communicable Diseases Programme during the period from 1st January 2019 to 31st December 2019 for IADB Loan account # 4668/OC-JA.”

“Audit of the Resources Managed by the Ministry of Health and Wellness under the Support for the Health System Strengthening for the Prevention and Care Management of Non-Communicable Diseases Programme the period from 1st January 2020 to 31st December 2020 for IADB Loan account # 4668/OC-JA.”

Audit Objectives

The overall objective of this engagement is to perform a special purpose framework financial audit, as defined by International Organization of Supreme Audit Institutions (INTOSAI) and allow the auditor to express a professional opinion on the financial position of the project at the end of the period audited including whether the financial statements are prepared, in all material respects, in accordance with applicable reporting framework, the eligibility of expenditures, compliance with applicable laws, regulations and financial clauses of the loan agreement and to report on the adequacy of the internal controls.

The objective of the engagement also includes obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditors to express an opinion on whether the financial statements are prepared in all material respects, in accordance with the applicable special financial reporting framework; report on the financial statements and communicate the results of the audit, in accordance with the auditor’s findings.

The engagement will include an audit of resources provided by the Bank and an assessment of the internal controls of the Ministry of Health and Wellness, Health System Strengthening Programme. The Bank funds shown in the Project financial statements should be reconciled with Bank’s records.

Audit of the Project. This special purpose audit must be performed in accordance with the International Standards on Auditing (ISA or ISSAIs) or other national standards which does not significantly depart from the international standards and therefore must include the tests of the accounting records that the auditors consider necessary under the circumstances. In relation to the Financial Statements as per Appendix # 1, the specific outputs of the audit are:

- Issue an opinion as to whether the Project financial statements, including notes present fairly, in all material respects, the financial position of the project, the funds received and the disbursements made during the period audited, as well as the cumulative investments at the end of the period, in accordance with financial reporting provisions outlined in the

respective legal agreements with the Bank and other co-financing organizations.

- Issue an opinion as to whether: (a) the expenditures reported are eligible for financing; and (b) loan funds have been used only for Project purposes.
- Issue a report with respect to the adequacy of the internal control structure of the implementing institution in regard to the project.
- Issue an opinion with respect to the implementing entity's compliance with the terms of the loan/credit agreements and applicable laws and regulations (with regard to the financial aspects).
- Issue an opinion as to whether the Statement of the Designated Account and Project Accounts used for managing the funds provided by the Bank presents fairly the availability of funds at the end of the period audited, as well as the transactions made during the same period, in accordance with financial reporting provisions outlined in the project's legal agreements.

VII. Scope of the Audit

In accordance with ISSAIs, the audit must include adequate planning, the evaluation and testing of the internal control structure and systems, and obtaining sufficient objective evidence to allow the auditors to reach reasonable conclusions on which to base their opinions. In conducting their work, the auditors should pay special attention to the following requirements:

- All project funds should be 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.
- Goods, Works and Services financed should be procured in accordance with the relevant financing agreement and procurement guidelines.
- Implementing entity should keep all necessary supporting documents, records, and accounts in respect of all project ventures including expenditures reported via, unaudited Interim Financial Reports (IFR) or Designated Accounts. Clear linkages should exist between the books of account and the IFRs presented to the Bank.
- Where Designated Accounts have been used, they should be maintained in accordance with the provisions of the relevant financing agreement.
- The project accounts should be prepared in accordance with financial reporting provisions outlined in the project legal agreements and is consistently applied, and give a true and fair view of the financial situation of the project at the end of the period and of the resources and expenditures for the year ended on that date.

The audit should be performed in accordance with acceptable auditing standards, and therefore should include tests of the accounting records that the auditors consider necessary under the circumstances. The auditors should have the ability to detect situations or transactions that may indicate fraudulent, wasteful or illegal acts and expenditures. If such evidence exists, the auditors must communicate the situation simultaneously to a duly authorized representative of the Bank and to the Project management, and exercise caution and due professional care in expanding their audit steps and procedures related to illegal acts. Section 240 of the International Standards on Auditing provides guidance on this respect.

VIII. Other Responsibilities of the Auditor

The auditor should comply with the following requirements:

- A. Conduct entrance and exit conferences with the implementing entity.
- B. Plan the audit work so that preliminary reviews can be conducted during the period under review (including the first few months), with the purpose of evaluating the systems of internal control and communicating to the implementing unit in a timely manner any situations that merit the attention of management before the issuance of the final audit report.
- C. Independently reference the audit report before issuing it.
- D. Obtain a Management Representation Letter in accordance with Section 580 of the International Standards on Auditing, signed by the management of the Project IE.

IX. Audit reports

The auditors shall issue their report containing the specific opinions and conclusions required. All the reports resulting from the audit of the project should be expressed in USD. This report should be addressed and delivered to the implementing entity as per section X – ‘Terms of performance’.

The report(s) shall be issued in English, duly signed and bound, in original and 7 (Seven) copies. A soft copy is also to be submitted.

The report for the Project should contain at least:

- A. A title page, table of contents, a transmittal letter to the IE and a summary containing the information required in the Guidelines.
- B. The audit report and opinion for the Project financial statements, their corresponding notes and supplementary information. Also, an opinion on the eligibility of the expenditures reported and the correct use of the Loan funds. Any costs that are not supported by adequate records or that are not eligible under the terms of the loan agreement (questioned

costs) should be identified.

- C. The audit report on the internal control structure for the Project. The report should disclose, among other information discussed in the Guidelines, the reportable conditions (those that have an impact on the financial statements), including the identification of material weaknesses in the internal control structure of the implementing unit, as well as the IE's comments.
- D. A management letter including the follow-up of recommendations made in prior audits, indicating the current status of the recommendations as corrected, partially corrected, or not corrected. The deficiencies that still have not been corrected should be reported again in the current audit report, along with the corresponding management's comments.
- E. In pursuant to the Inter-American Development Bank's policies audited financial statements are publicly disclosable but management letters are not. As such, both reports should be segregated.
- F. The audit report and opinion on the implementing entity compliance with the terms of the loan/credit and legal agreements and applicable laws and regulations related to the Project's financial activities.
- G. An audit report and opinion on the Statement of Requests for Replenishment (IFRs) for the period audited. The Auditor must issue an opinion explicitly covering: (i) the eligibility of the expenditures submitted for replenishment, (ii) the adequacy of the control procedures for preparing the IFRs, and (iii) the correct use of the loan and credit funds.
- H. An audit report and opinion on the Designated Account Statement for the period audited. The opinion should state whether the DA Statement adequately reflects the flow of funds for the DA during the period audited, and if this activity has been only for purposes of the project.
- I. A summary of the main audit procedures performed for planning the audit, evaluating the internal control structure, checking the figures included in the financial statements and other areas subject to audit, and for evaluating compliance with terms of the applicable agreements, laws and regulations.

X. Inspection and Acceptance of the Audit Work and the Reports

The Bank is responsible for inspecting and accepting the audit reports, and may appoint individuals or firms to carry out these activities, including the review of the working papers and of the auditor's quality control procedures. If the report is not acceptable or not fully satisfactory due to deficiencies in the audit work or because the report does not comply with the requirements stated in these TORs or the Guidelines, the auditor shall perform the necessary additional work at

no additional cost to the IE, the Project or the Bank.

Also, the representative of the Bank may contact the auditors directly to request any additional information related to any aspect of the audit or the Project financial statements.

If the Bank determines the audit report is not fully satisfactory, it will send a letter or e-mail to the implementing entity indicating suggestions to correct the deficiencies identified, and asking that the Bank be informed of any corrective actions taken. The implementing entity will also be informed of any aspects of the audit report that are not in compliance with this TOR, so that the Auditor will correct the deficiency within a specific timeframe or in the subsequent audit.

XI. Terms of Performance

The auditor will issue the following:

1st January 2019 – 31st December 2019

#	Deliverables	Due Date	Payment Schedule
1	Audit Plan	On or before 17 th January 2020	10%
2	Draft report and Management Letter	On or before 21 st February 2020	40%
3	Final audited report and Management Letter with responses	On or before 31 st March 2020	50%

1st January 2020 – 31st December 2020

#	Deliverables	Due Date	Payment Schedule
1	Audit Plan	On or before 15 th January 2021	10%
2	Draft report and Management Letter	On or before 19 th February 2021	40%
3	Final audited report and Management Letter with responses	On or before 31 st March 2021	50%

Deliverables # 1 & 2 are to be accepted by the MOHW and HSSP PEU prior to payment. Deliverables # 3, is to be accepted by the MOHW and the HSSP PEU as well as the Inter-American Development Bank prior to processing of payment.

These dates are important to allow the Project Implementing Entity to send to the Bank the final audit report for the Project on or before 30th April 2020 and 30th April 2021 respectively.

In order to comply with these dates the PEU will present the audit schedules and draft Financial Statements to the Auditors on 12th January 2020 and 10th January 2021 respectively.

XII. Access to Information

Public Disclosure. The guiding principle of the Inter-American Development Bank's Access to Information Policy is that all information it creates is made public, unless it contains restricted information. In line with this policy, the final audit report will be publicly disclosed. Before finalizing the document, the Inter-American Development Bank requests the client to identify whether the document contains any sensitive information, or information whose disclosure may adversely affect relations between the Bank and the client. The Bank, as it considers appropriate, makes adjustments to the document to address the matters of concern to the client.

XIII. Qualifications of Auditor

- At least five years' experience relative to the engagement
- Five years' experience working with public bodies , departments or agencies

XIV. Qualifications of key staff

1. Engagement Partner
 - Professional accounting designation such as: ACCA, CPA, or a Master's Degree in Accounting.
 - Ten years' experience in Auditing
2. Audit Manager
 - Professional accounting designation such as: ACCA, CPA, or a Master's Degree in Accounting.
 - Five years' experience in Auditing
3. Auditor
 - Professional accounting designation such as: ACCA, CPA, or a First Degree in Accounting.
 - Three – Five years' experience in Auditing

APPENDIX I

The following statements are the minimum requirement and should be incorporated in the audit report.

Name of Project Statement of Cash Flows For the year ended xxxx				
	Year ended 31 December xxxx		Year ended 31 December xxxx	
	IDB		IDB	
	US\$	JA\$	US\$	JA\$
Cash Received: Accumulated cash receipts at the beginning of the year Activity during the year Cash Advances received Total Accumulated cash receipts at the end of the year Disbursement Made: Accumulated Cash Disbursement at the beginning of the year Activity during the year Payment of goods and services Total Accumulated Cash Disbursement at the end of the year				
Available cash at the end of the year				

Name of Project
Statement of Cumulative Investment For the year ended xxxx

	Cumulative at the beginning of the year		Movement during the year		Cumulative at the end of the year	
	IDB	IDB	IDB	IDB	IDB	IDB
	US\$	JA\$	US\$	JA\$	US\$	JA\$
1.0 Organization & Consolidation of Integrated Health Services Network 1.1 Health Centers with infrastructure upgrade completed 1.2 Health Centers with new Medical equipment supplied 1.3 Health Centers with corrective & preventative maintenance Infrastructure & equipment 1.4 Hospitals with infrastructure upgrades completed 1.5 Hospitals with new medical equipment supplied 1.6 Hospitals with industrial laundry equipment supplied 1.7 Hospitals with new imaging equipment supplied 1.8 Hospitals with corrective & preventative maintenance Infrastructure & equipment Sub-total 2.0 Improvement of Management, Quality and Efficiency of Health Services 2.1 Patient Care pathways & protocols updated & Distributed 2.2 Health Centers with Caribbean Chronic care model implemented 2.3 National Governance Structure to guide IS4H development formally established 2.4 National IS4H Policy reviewed & adapted 2.5 National Strategy for Telehealth developed & approved 2.6 Health Centers with Tele-mentoring/Telemedicine services implemented 2.7 Electronic Health Record Platform contracted 2.8 Jamaica Health & Lifestyle survey conducted Sub-total 3.0 Programme Administration and Evaluation Project Vehicle Project Impact Evaluation Project Auditing Project Execution Unit Sub-total Total						
Foreign currency exchange differences						
Grand Total						

APPENDIX 2

Below is partial template for cost proposal including list of personnel proposed:

Cost Estimate of Services, List of Personnel and Schedule of Rates

(1) Remuneration of Staff

	Name	Rate (per month/day/ hour in currency)	Time spent (number of month/day/ hour)	Total (currency)
(a) Engagement Partner				
(b) Manager				
(c) Supervisor				
(d) Auditor				
Sub-total (1)				

(2) Reimbursables & Miscellaneous

	Average Rate	Days/ Quantity	Total
Local Transportation			
Miscellaneous			
Sub-total (2)			

Total Cost

