Southeast Asia Disaster Risk Insurance Facility (SEADRIF)

SEADRIF Trustee Terms of Reference for External Auditor

Assignment: Southeast Asia Disaster Risk Insurance Facility (SEADRIF): Strengthen Financial Resilience in Southeast Asia Project (P170913)

Background

The Southeast Asia Disaster Risk Insurance Facility (SEADRIF)

Southeast Asian countries are exposed to disaster and climate risks, including floods, tropical cyclones, earthquakes, and tsunamis, in addition to droughts and others. These disasters can affect the livelihoods of large populations and often leave governments with a critical need for short-term liquidity to finance response and recovery. To strengthen financial resilience against climate and disaster shocks, the Southeast Asia Disaster Risk Insurance Facility (SEADRIF) has been established as a regional facility for member states of the Association of Southeast Asian Nations (ASEAN) plus Three (ASEAN+3), initially including Cambodia, Indonesia, Lao PDR, Myanmar and the Philippines (as beneficiary countries) as well as Japan and Singapore (as donor partners). With effect from 24 March 2021, Myanmar’s policy was cancelled.

SEADRIF is a regional facility composed of:

- **SEADRIF Trust**: a legal arrangement for SEADRIF open to all ASEAN+3 countries. The Trust is governed by the Council of Members (“CoM”) composed of one Finance and Central Bank Deputy level representative from each member country. The CoM provides strategic direction to SEADRIF and delegates authorities and responsibilities to any Committee(s) of Sub-Trust(s) governing the respective Sub-Trust(s).

- **SEADRIF Sub-Trust**: an arrangement for sub-groups of SEADRIF member countries and invited donors within and beyond ASEAN+3 to develop and govern specific initiatives. At the onset of the SEADRIF Trust, Sub-Trust A was established to house the SEADRIF Insurance Company and is governed by the Committee of Sub-Trust A (“the Committee”) composed of the Sub-Trust A beneficiary countries (currently Lao PDR) and donors (Japan and an independent individual officially nominated by Singapore).

- **SEADRIF Trustee** (the Trustee): Intertrust (Singapore) Ltd., a trust company licensed in Singapore, has been selected as the Trustee of the SEADRIF Trust and SEADRIF Sub-Trust A. The Trustee reports to the SEADRIF Council of Members and the Committee.

- **SEADRIF Insurance Company** (the Company): a general insurance company housed under SEADRIF Sub-Trust A, incorporated in Singapore by the Trustee as its sole shareholder and licensed by the Monetary Authority of Singapore (MAS) to provide general insurance services, including the proposed catastrophe risk pool as the first product. The Company has received grants from the Government of Singapore for capital and operational expenditures. This catastrophe risk pool for Lao PDR and Myanmar (policy cancelled with effect 24 March 2021.) is designed to provide parametric insurance.

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1 China, Japan, and Republic of Korea.

An ASEAN+3 Initiative
in partnership with The World Bank
(that is, index-based insurance that does not indemnify the actual loss, but make insurance payouts when a pre-defined (insured) natural disaster event exceeds a pre-agreed severity threshold). The insurance payouts are intended to be used by the beneficiary countries to cover goods, services and physical works for short-term emergency response, recovery, and maintenance of essential public services.

Proposed Assignment

The Trustee, on behalf of SEADRIF Trust, is requesting the services of an external auditor to carry out audits of the SEADRIF Sub-Trust A.

The objective of the audit is to audit the financial statements of SEADRIF Sub-Trust A to enable the auditor to:

- Express a independent opinion on the SEADRIF Sub-Trust A’s financial position as at the end of December 31, 2022 and of the income and expenditure for the accounting period ending on that date and beginning as of the date of SEADRIF Sub-Trust A. The SEADRIF Sub-Trust A’s books of account provide the basis for preparation of the SEADRIF Sub-Trust A financial statements and are established to reflect the financial transactions in respect of the project.

The SEADRIF Trustee is responsible for the preparation of SEADRIF Sub-Trust A financial statements, including the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, the safeguarding of the assets of the project, and adequate disclosure. As part of the audit process, the auditor will request from SEADRIF Trustee written confirmation concerning representations made to us in connection with the audit.

Scope of Work

The scope of the audit includes an audit of the SEADRIF Sub-Trust A’s annual financial statements as at the end of December 31, 2022 and of the income and expenditure for the accounting period ending on that date and beginning as of the date of SEADRIF Sub-Trust A. The External Auditor will be responsible for the following key activities:

Detailed Requirements:

1. The audit will be conducted in accordance with Singapore Standards on Auditing (SSA). Those Standards require that the auditor plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the SEADRIF Trustee, as well as evaluating the overall financial statement presentation and the SEADRIF Sub-Trust A’s internal control systems used in preparation of the SEADRIF Sub-Trust A financial statements.

In complying with the SSA, the auditor is expected to pay particular attention to the following matters:

(a) In planning and performing the audit to reduce audit risk to an acceptably low level, the auditor should consider the risks of material misstatements in the SEADRIF Sub-Trust A financial statements due to fraud, as required by International Standard on Auditing 240: The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements.

(b) When designing and performing audit procedures and in evaluating and reporting the results thereof, the auditor should recognize that non-compliance by the entity with laws and regulations may materially affect the SEADRIF Sub-Trust A financial statements, as required by International Standard on Auditing 250: Consideration of Laws and Regulations in an Audit of Financial Statements.
(c) The auditor should communicate audit matters of governance interest arising from the audit of the SEADRIF Sub-Trust A financial statements to those charged with governance of an entity, as required by International Standard on Auditing 260: Communication of Audit Matters with those Charged with Governance.

(d) The auditor should communicate appropriately to those charged with governance and to management any deficiencies in internal control that the auditor has identified in an audit of the SEADRIF Sub-Trust A financial statements, as required by International Standard on Auditing 265: Communicating Deficiencies in Internal Control to Those Charged with Governance and Management.

(e) To reduce audit risk to an acceptably low level, the auditor should determine overall responses to assessed risks at the financial statement level, and should design and perform further audit procedures to respond to assessed risks at the assertion level, as required by International Standard on Auditing 330: The Auditor’s Responses to Assessed Risks.

(f) When certain aspects of an entity’s operations are performed by a third-party service provider, the auditor is expected to include an understanding and assessment of the internal control environment of the service provider during the audit process, as required by International Standard on Auditing 402: Audit Considerations Relating to an Entity Using a Service Organization.

(g) As part of the audit process, the auditor is expected to obtain written representations from management and, where appropriate, those charged with governance, as required by International Standard on Auditing 580: Written Representations.

(h) When the external auditor decides to use the work of an entity’s internal audit function to modify the nature or timing, or reduce the extent, of audit procedures to be performed directly by the external auditor, the determination shall be in accordance with International Standard on Auditing 610 (Revised): Using the Work of Internal Auditors.

(i) In determining whether to use the work of an auditor’s expert or the extent to which the work of an auditor’s expert is adequate for audit purposes, the determination shall be made in accordance with International Standard on Auditing 620: Using the Work of an Auditor’s Expert.

2. In evidencing compliance with the agreed Project financing (Project Operations Manual, Section 5 and 6) and grant agreements (SEADRIF Trustee Grant Agreement, Schedule 2, Sections III & IV) as entered into by the SEADRIF Trustee and the World Bank, the auditor is expected to carry out tests to confirm that:

(a) All external funds have been used in accordance with the conditions of the relevant Project financing and grant agreements and only for the purposes for which the financing was provided

(b) Goods, works, and services financed have been procured in accordance with relevant Project financing and grant agreements, including specific provisions of The World Bank Procurement Guidelines and The World Bank Procurement Regulations for IPF Borrowers.² Refer to SEADRIF Trustee Grant Agreement, Schedule 2, Sections III.

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This piece of work will be treated as an Non-audit Assurance Engagement (“NAAE”), together with Clause 5, as a single engagement, i.e. audit opinion will not cover this engagement. Instead this will be treated as a separate deliverable (“NAAE Deliverable”) and such deliverable will not be made publicly available. Kindly refer to Appendix A for Deliverables by the auditors.

3. SEADRIF Sub-Trust A Financial Statements. The auditor should verify that the SEADRIF Sub-Trust A financial statements have been prepared on a cash basis, in accordance with the accounting standards adopted by the SEADRIF Sub-Trust A and described in the SEADRIF Sub-Trust A’s Financial Management manual. The financial statements should include:
   (a) Statement of Sources and Uses of Funds for SEADRIF Sub-Trust A;
   (b) Statement of Fund Balances;
   (c) Notes, comprising a summary of significant accounting policies and other explanatory notes. The explanatory notes should include reconciliation between the amounts shown as “received by SEADRIF Sub-Trust A from the World Bank” and those disbursed by the Bank, referred to as the Designated Account Reconciliation Statement for the reporting period. The Statement of Sources and Uses of Funds for SEADRIF Sub-Trust A should include, either on the face of the statement or in supplementary schedules included in the notes to the financial statements (i) uses of funds by SEADRIF Sub-Trust A’s activity, (ii) the current reporting period compared with the annual SEADRIF Sub-Trust A budget and cumulative figures from the commencement of the SEADRIF Sub-Trust A compared with the total SEADRIF Sub-Trust A budget, and (iii) consolidating schedules including eliminating entries.

In carrying out the audit, the following procedure should be included as well:

All necessary supporting documents, records, and accounts have been maintained in respect of all SEADRIF Sub-Trust A activities, including expenditures reported using Statements of Expenditure and the unaudited Interim Financial Statements. The auditor is expected to verify that respective reports issued during the period were in agreement with the underlying books of account.

4. Review of Interim Unaudited Financial Statements (“IFRs”). The auditor is also required to review all semi-annual IFRs submitted to the World Bank and assess the reliability of those IFRs. The auditor is required to (i) assess methods used to compile IFRs to ascertain that the information given in IFRs accurately reflects the underlying records and documents, (ii) compare contents of IFRs prepared during the year with annual SEADRIF Sub-Trust A financial statements and verifying that the year to date figures in the final quarter are reconcilable with the SEADRIF Sub-Trust A annual statements. This review of IFRs will be treated as an agreed upon procedure (“AUP”), i.e. audit opinion will not cover this review of IFRs. Instead this will be treated as a separate deliverable (“AUP Deliverable”) and such deliverable will not be made publicly available. Kindly refer to Appendix A for Deliverables by the auditors.

5. Statements of Expenditure (SOEs). The auditor is required to audit all SOEs submitted to the World Bank in support of requests for periodic replenishment of the SEADRIF Sub-Trust A designated account(s). Expenditures should be examined for eligibility based on criteria defined in the terms of the Project financing and grant agreements and detailed in the Project Appraisal Document. The auditor should report any ineligible expenditures identified as having been included in withdrawal applications and reimbursed. This piece of work will be treated as an Non-audit Assurance Engagement (“NAAE”), together with Clause 2, as a single engagement, i.e. audit opinion will not cover this engagement. Instead this will be treated as a separate deliverable (“NAAE Deliverable”) and such deliverable will not be made publicly available. Kindly refer to Appendix A for Deliverables by the auditors.
6. Designated Account(s). During the audit of the SEADRIF Sub-Trust A financial statements, the auditor is required to review the activities of SEADRIF Sub-Trust A’s designated account(s). Activities to be examined will include deposits received, payments made, interest earned, and reconciliation of period-end balances.

Deliverables

7. The auditor must issue an audit opinion on the annual SEADRIF Sub-Trust A financial statements. The auditor’s opinion shall be based on an evaluation of the conclusions drawn from the audit evidence obtained and shall be expressed clearly through a written report that also describes the basis for that opinion. The audit report shall be prepared in accordance with International Standard on Auditing 700.

8. A modified audit opinion shall be rendered in the SEADRIF Sub-Trust A financial statements when the auditor concludes, on the basis of the audit evidence obtained, that the project financial statements as a whole are not free from material misstatement; or the auditor is unable to obtain sufficient appropriate audit evidence to conclude that the SEADRIF Sub-Trust A financial statements as a whole are free from material misstatement. Modified audit opinions shall be in accordance with International Standard on Auditing 705.

9. The auditor will include emphasis of matter paragraphs or other matter paragraphs in the audit opinion where the auditor, having formed an opinion on the SEADRIF Sub-Trust A financial statements, seeks to draw users’ attention, when in the auditor’s judgment it is necessary to do so, by way of clear additional communication in the auditor’s report. The paragraphs will refer to either a matter that, although appropriately presented or disclosed in the SEADRIF Sub-Trust A financial statements, is of such importance that it is fundamental to users’ understanding of the SEADRIF Sub-Trust A financial statements; or as appropriate, any other matter that is relevant to users’ understanding of the audit, the auditor’s responsibilities, or the auditor’s report. This form of opinion will be presented in accordance with International Standard on Auditing 706.

10. In addition to the audit opinion, the auditor will also prepare a management letter in which the auditor will:

(a) provide comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;

(b) identify specific deficiencies and areas of weakness in systems and controls and make recommendation for their improvement;

(c) report on instances of non-compliance with the terms of the financing agreement(s);

(d) quantify and report expenditures that are considered to be ineligible and either paid out of the bank account(s) or which have been claimed from the World Bank;

(e) communicate matters that have come to attention during the audit which might have a significant impact on the implementation of SEADRIF Sub-Trust A;

(f) bring to the SEADRIF Trustee and the World Bank’s attention any other matters that the auditor considers pertinent and responses from management, including implemented and proposed remedial actions. If none of the above applies, and a management letter is therefore not prepared, the auditor will issue a letter stating that during the audit nothing has come to their attention that the auditor considers pertinent to be brought to the attention of the SEADRIF Trustee. The SEADRIF Sub-Trust A financial statements, including the auditors’ opinion, and management letter should be received by SEADRIF Sub-Trust A in time to enable the project to submit to the World Bank no later than six months.
after the end of each of auditing period. A time table including schedule of submission of report will be discussed and agreed with the auditors annually. In addition, the annual project financial statements, including the auditors’ opinion will be made publicly available in accordance with the requirements of the World Bank. Therefore, the auditor’s opinion should not include statement restricting disclosure.

It is expected that the auditor will schedule an interim audit to review controls and apply necessary audit procedures in order to provide timely recommendations to any identified control weaknesses and to timely remedy any significant issues leading to delay in finalizing the audit report. The interim management letter shall be issued in this regard.

Implementation Arrangement

11. The auditor is entitled to unlimited access to all information and explanations considered necessary to facilitate the audit, including legal documents, project preparation and supervision reports, reports of reviews and investigations, correspondences, and credit account information. The auditor may also seek written confirmation of amounts disbursed and outstanding in the World Bank records.

12. The auditor is encouraged to meet and discuss audit-related matters, including input to the audit plan, with the SEADRIF Trustee. The Auditor will report to the SEADRIF Trustee and the World Bank project task team.


Appointment and Duration of the Assignment

14. The External Auditor will be appointed on an annual basis and can be reappointed by SEADRIF Trustee subject to satisfactory audit quality standards being maintained and approval by the SEADRIF Trustee following the direction of the Committee of SEADRIF Sub-Trust A.

Experience and Qualification Requirements

15. The following requirements shall apply to the firms to qualify for the assignment:

- The Auditor must be licensed and approved by the Accounting and Corporate Regulatory Authority (ACRA) of Singapore to act as a company auditor. Any signed agreement is subject to the formal approval as the appointed External Auditor of SEADRIF Sub-Trust A by the World Bank, as required by section 36(6)(c) of the Insurance Act;
- Minimum 10 years professional experience in audit of insurance companies in Singapore;
- Experience in working with Singapore regulators and authorities;
- Ability to provide profile and evidence of the experience appropriate to the requirements of the assignment;
- Ability to provide key staff with required qualifications and experience in the areas of accounting, audit, insurance, finance, tax, legal and relevant practice.
16. Qualifications and experience requirements of the key staff:

- **Team Leader**
  - At least Masters’ degree in accounting, audit, finance, economics, or related field;
  - CPA, ACCA or equivalent qualifications required;
  - At least ten (10) years of audit experience with five (5) years of experience in insurance companies audit;
  - Good proficiency in written and spoken English;
  - Strong communication, writing, editing, interpersonal, outreach, and facilitation skills.

- **Team Members**
  - At least Bachelors’ degree in accounting, audit, finance, economics, or related field;
  - CPA, ACCA or equivalent qualifications preferred;
  - At least ten (5) years of audit experience with exposure in insurance companies audit;
  - Good proficiency in written and spoken English;
  - Strong communication, writing, editing, interpersonal, outreach, and facilitation skills.

**Resources**

The estimated inputs required for this assignment are 20 person-days. The estimated time inputs of the key staff are as follows:

i. Team Leader: minimum 5 person-days;
ii. Team member: 5 person-days;

**Payment Schedule**

Payment for this assignment will be on a fixed fee basis, in addition to eligible expenses, on submission of acceptable reports. Applicants are requested to submit a cost estimate for the required reports for the three year period.
## Appendix A

### Deliverables by Auditors

<table>
<thead>
<tr>
<th>Clause</th>
<th>Description</th>
<th>Type of Engagement</th>
<th>Auditors Deliverables</th>
<th>Comments</th>
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<tr>
<td>Clause 2, 5</td>
<td>Project Financing</td>
<td>Non-audit assurance engagement</td>
<td>NAAE Deliverable</td>
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<td></td>
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<td>- Deliverable will not be made publicly available.</td>
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<td>Clause 4</td>
<td>Review of IFRs</td>
<td>Agreed Upon Procedures</td>
<td>AUP Deliverable</td>
<td>- No audit opinion.</td>
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<td>- Deliverable will not be made publicly available.</td>
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<tr>
<td>Other clauses</td>
<td>Project Financial</td>
<td>Special purpose financial</td>
<td>Audit opinion</td>
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