

**TERMS OF REFERENCE (TOR)
REQUEST FOR PROPOSALS (RFP) – EXTERNAL AUDIT SERVICES
Tonga Water Board (TWB)
Financial Year Ending 30 June 2026 and Ongoing Annual Audits**

1. Introduction and Background

The Tonga Water Board (TWB) is mandated to prepare annual financial statements and have them audited by duly appointed external auditors. To facilitate a seamless and efficient audit process, and to assist the Board in meeting its statutory financial reporting obligations, TWB seeks to engage the services of a qualified, independent external auditor. The engagement will cover the audit of the Board's financial statements for the financial year ending 30 June 2026, with the option to extend the appointment for up to three (3) years, subject to satisfactory performance and continued mutual agreement.

2. Engagement Objective

The primary objective is for the external auditor to:

- Express an independent professional opinion on whether TWB's financial statements present fairly, in all material respects, the financial position, financial performance, and cash flows in accordance with:
 - **International Financial Reporting Standards (IFRS).**
 - The requirements of the *Tonga Water Board Act* and any relevant finance or public sector legislation.
 - Any specific donor or lender covenants (if applicable).
- Provide a **Management Letter** identifying internal control weaknesses, non-compliance, and recommendations for improvement.
- Perform agreed-upon procedures on any grant/donor funds as separately required.

3. Scope of Work

The auditor shall perform the following:

3.1.1. Audit of Financial Statements (30 June 2026):

- Statement of Financial Position
- Statement of Financial Performance (Income Statement)
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the Financial Statements, including accounting policies.

3.1.2. Compliance Audit: Review compliance with the *Public Enterprises Act*, *Tonga Water Board Act*, and internal financial regulations.

3.1.3. Internal Control Review: Identify weaknesses in internal controls over financial reporting, including IT controls, procurement, payroll, asset management, and revenue collection.

3.1.4. Subsequent Events Review: Assess events after 30 June 2026 up to the date of the audit report.

3.1.5. Audit of Donor-Funded Projects (if any): Certify expenditures for any externally funded projects in accordance with their respective terms.

4. Key Timelines and Deliverables

The engagement must commence on or before **the week beginning 17 August 2026**. This is required for planning, risk assessment, and interim testing where possible.

Deliverable	Due Date
Audit Commencement (kick-off meeting & planning)	Week of 17 August 2026
Submission of draft financial statements (TWB management)	By 30 September 2026
Completion of fieldwork	By 30 October 2026
Draft audit report & management letter	By 16 November 2026
Audit Committee review complete	By 23 November 2026
Final audited financial statements & signed audit opinion	By 26 November 2026
Submission to Ministry and any other required authorities	By 30 November 2026

- For **ongoing years** (up to three (3) years), the timeline shall be agreed annually but must allow for completion within 3 months of year-end (i.e. 30 September).

5. Reporting Requirements

The external auditor shall provide to the TWB Board and Audit Committee:

- 5.1. **Independent Auditor's Report** (unmodified, qualified, adverse, or disclaimer as appropriate).
- 5.2. **Audited Financial Statements** (signed and dated).
- 5.3. **Management Letter** (including classification of findings: high, medium, low risk, and management responses).
- 5.4. **Report to the Audit Committee** on significant matters, fraud risks, and internal control deficiencies (ISA 260).
- 5.5. **Audit completion memorandum** summarizing key judgements.

6. Auditor Qualifications and Independence

Proposing firms must demonstrate:

- Registration and license to practice in Tonga (or a Tonga-registered partner with a reputable international affiliation).
- At least **5 years of proven experience** auditing statutory bodies, state-owned enterprises, or public utilities of similar size.
- Independence in according to the International Standards on Auditing (ISA)
- No actual or perceived conflict of interest with TWB management, board members, or major contractors.
- Use of **International Standards on Auditing (ISA)**.

7. Proposal Requirements (RFP Response)

Bidders must submit a technical and financial proposal, including:

Section	Details
Firm Profile	Legal status, office in Tonga, audit license, insurance (professional indemnity).
Team Composition	Engagement partner, manager, and senior auditor; CVs demonstrating utility/public sector experience.
Audit Approach	Methodology, risk assessment, materiality levels, sampling strategy, use of data analytics.
Work Plan	Gantt chart showing activities from 17 August 2026 to final report.
Quality Assurance	Internal peer review process, compliance with ISA.
Fees	Separate fixed annual fee for FY2026 (including all travel, subsistence, and printing). Option up to three (3) years with annual escalation cap.
References	Three similar audits completed in the last 3 years, with contact details.

8. Evaluation Criteria

Proposals will be evaluated based on:

Criteria	Weight
Firm & team experience (utility/state-owned enterprise audits, Tonga context)	35%
Audit methodology & ability to meet the compressed timeline	30%
Financial proposal (cost reasonableness)	25%
Quality of management letter examples / value-added recommendations	10%

- TWB reserves the right to interview shortlisted firms.

9. Contract and Ongoing Engagement

- The initial contract covers the **FY2026 audit (year ending 30 June 2026)**.
- **Renewal:** Subject to satisfactory performance (e.g., timeliness, quality of management letter, positive feedback from Audit Committee), TWB may extend for up to three (3) years.
- **Termination:** Either party may terminate with 30 days' written notice.

10. Submission Instructions

- **RFP Release Date:** 06 July 2026
- **Deadline for Clarification Questions:** 20 July 2026
- **Proposal Submission Deadline:** 03 August 2026
- **Format:** One (1) hard copy and one (1) electronic PDF copy to:

Chief Executive Officer

Tonga Water Board

Address: Utility Board Building

Taufa'ahau Road

Matatoa, Nuku'alofa

Tonga

Email: qfielea@gmail.com

- **Late submissions** will not be accepted.

11. Contact and Queries

All queries must be submitted in writing to the **CEO** at qfielea@gmail.com copying in the **Finance Manager, Tepola Vainikolo** at cool451@gmail.com

Responses to significant queries will be shared with all bidders.