

Auditor Terms of Reference

TERMS OF REFERENCE FOR THE AUDIT OF **Critical Ecosystem Partnership Fund – Caribbean Hotspot Project** FINANCED BY **World Bank TF/Credits [TFB5467]** IMPLEMENTED BY THE **Critical Ecosystem Partnership Fund-Conservation International** DURING THE PERIOD **7/1/2021-10/31/2027**.

I. Basic Considerations for Audits of Projects Financed by the World 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. It must be complemented with the World Bank Disbursement Guidelines for Projects (2017), project appraisal document, financing agreement, the project operational manual agreed with the World Bank, disbursement financial information letter and supporting annexures. The auditors must also be familiar with the Interim Financial Reports (IFRs) for the World Bank financed project. These documents constitute the basic criteria against which the Bank may 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), and the Bank is an interested party. A Bank representative may participate in the entrance and exit conferences; monitor the work performed by the auditors to ensure that it complies with the terms of reference and the applicable auditing standards; and provide comments on the draft audit report.

The implementing entity of the Conservation International 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 **before negotiated date**.

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, if requested by the Bank.

III. Project Background

The objective of the Project is to improve the capacity of civil society organizations to reduce threats to globally important biodiversity in the Caribbean Islands Biodiversity Hotspot.

The Project consists of the following parts:

Part 1: Increased Share of Land and Sea in and around Priority KBAs under Improved Management

Provision of (i) Non-Competitive Sub-grants and Large Sub-grants, and (ii) Small Sub-grants to selected Civil Society Organizations (CSOs) to carry out sub-projects in the following areas:

- (a) Strengthening protection and management of priority Key Biodiversity Areas (KBAs), including preparation of legal and participatory adaptation frameworks for priority sites currently under protected or unprotected.
- (b) Connectivity and ecosystem resilience in priority corridors, including activities that contribute to the protection and sustainable management of biodiversity around priority KBAs.
- (c) Conservation plans for critically endangered and endangered species.
- (d) Enhancing enabling conditions for biodiversity conservation, including promoting policy dialogue and advocacy actions focusing on government policies that impact priority KBAs.

Part 2: Increased Capacity of CSOs in Conservation

Provision of:

1. (i) Large Sub-grants, and (ii) Small Sub-grants to selected CSOs to carry out training to strengthen capacity in implementing conservation activities.
2. A capacity development program, including training and mentoring, to CSOs in conservation and sustainable use of biodiversity.

Part 3: Increased Capacity of RIT in Leadership and Coordination of CSO Conservation Actions

Provision of capacity building activities to strengthen RIT's capacity in Project management and implementation, including on assessing proposed sub-projects, identifying technical and fiduciary risks, and newest development on biodiversity conservation.

Part 4: Strengthened CSO Partnerships for Conservation

Supporting (a) CANARI, for the CANARI Countries, and (b) INTEC, for the INTEC Countries, in:

- (i) developing capacity development plans on social accountability mechanisms;
- (ii) promoting partnerships between CSOs, public bodies and other stakeholders for conservation, including developing a harmonized capacity development plan for CSOs; and
- (iii) designing and implementing knowledge-sharing and learning activities related to the implementation of social accountability methodologies generated under (i).

Part 5: Project Management, Monitoring and Evaluation

Supporting the PIU in Project administration, supervision, communication, procurement, financial management, monitoring and evaluation and reporting through provision of Recipient Operating Costs and Training.

IV. Audit Background

The project was negotiated on 06/23/2021, approved on 6/29/2021 and signed on 7/1/2021. It became effective on 8/2/2021. The Grant Agreement includes a requirement for the project's accounts to be audited annually.

V. 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 during the period from 07/01/2021 to 06/30/2022 by Conservation International under the *Critical Ecosystem Partnership Fund – Caribbean Hotspot Project, TFB5467.*”

VI. Audit Objectives

The overall objective of this engagement is to allow the auditor to express a professional opinion on the financial position of the project at the end of the period audited, the eligibility of expenditures, compliance with applicable laws, regulations and financial clauses of the agreement and to report on the adequacy of the internal controls over the use of funds for intended purposes. The engagement will include an audit of resources provided by the Bank and an assessment of the internal controls of the project at all levels. The auditors are expected to conduct selected site visits, including to CANARI and Intec, to ascertain internal controls over the use of funds for intended purposes. The Bank funds shown in the Project financial statements should also 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 agreed national standards, which do 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. The specific objectives of the audit are to:

- Issue an opinion as to whether the Project financial statements 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) 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/s in regard to the project.
- Issue an opinion with respect to the implementing entity's compliance with the terms of the 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

The audit must include adequate planning, evaluation and testing of the internal control structure and systems; and obtaining sufficient objective evidence to allow the auditors to reach to reasonable conclusions so that accordingly to make 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.
- Implementing entity should keep all necessary supporting documents, records, and accounts in respect of all project ventures including expenditures reported via SOEs or Designated Accounts. Clear linkages should exist between the books of account and reports 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 for assessing internal controls as well as for certifying the financial statements. 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 implementing entity.

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 incorporated into one document and expressed in USD. This report should be addressed and delivered to the implementing entity before negotiated date. The report[s] shall be issued in English, duly signed and bound, in original and 2 (copies) copies.

The report for the Project should contain at least:

- A. A title page, table of contents, a transmittal letter to the implementing entity; and a summary containing the information required.
- 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 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 implementing entity'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 World 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 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 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 of the project, 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 implementing entity, the Project or the Bank.

Also, the representative of the Bank may contact the auditors directly, with Conservation International included in such direct communications, 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 draft report on or before **negotiated date** and the final report on or before **negotiated date**. These dates are important to allow the Project Coordination Unit (implementing entity) to send to the Bank the final audit report for the Project before negotiated date.

ACCESS TO INFORMATION

Public Disclosure. The guiding principle of the World 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 World 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.

APPENDIX

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

DESIGNATED ACCOUNT RECONCILIATION STATEMENT		
LOAN/CREDIT/PPF/COFINANCIER NUMBER _____		
		US\$
1	TOTAL ADVANCED BY WORLD BANK (OR COFINANCIER)	
	LESS: ELIGIBLE EXPENDITURE FOR THE CURRENT YEAR ENDED _____ DOCUMENTED BY	
2	WORLD BANK	
	LESS: CUMULATIVE ELIGIBLE EXPENDITURE FOR THE PRIOR PERIODS ENDED _____	
3	DOCUMENTED BY WORLD BANK	
	PRESENT OUTSTANDING AMOUNT ADVANCED TO THE DESIGNATED ACCOUNT (1 - 2)	
	BALANCE OF USD DESIGNATED ACCOUNT PER BANK RECONCILIATION STATEMENT AS AT PERIOD END	
4	_____	
	BALANCE OF PROJECT ACCOUNT PER BANK RECONCILIATION STATEMENT AS AT PERIOD END	
5	_____	
	PLUS: ELIGIBLE EXPENDITURE FOR THE CURRENT YEAR DOCUMENTED AFTER THE PERIOD END	
6	_____ (WA #)	
	PLUS: TOTAL AMOUNT WITHDRAWN AND NOT YET CLAIMED	
	REASON: _____	
7	PLUS: AMOUNTS CLAIMED IN PREVIOUS APPLICATIONS NOT YET CREDITED AT DATE OF BANK	
	STATEMENTS	
	<u>APPLICATION NO.</u>	
	WA # XXX	
	WA # XX	
	SUBTOTAL OF PREVIOUS APPLICATIONS NOT YET CREDITED	
8	LESS: INTEREST EARNED	
9	TOTAL ADVANCE ACCOUNTED FOR (NO. 4 THROUGH NO. 9)	
10	DIFFERENCE (3 - 9)	
11	EXPLANATION OF ANY DIFFERENCE SHOWN IN LINE 10	

Name of Project
Sources and Uses of Funds
Year Ended XXXXX

	Current Period US\$	Current Year End Cumulative \$US\$	Previous Year End Cumulative US\$
RECEIPTS	Actual	Actual	Actual
World Bank			
Designated Account			
Direct Payment			
Other disbursement methods			
Total Receipts (A)			
EXPENDITURES			
Component 1			
Component 2			
Component 3			
Total Expenditures (B)			
Foreign Exchange Adjustment			
BANK BALANCES			
Opening Cash Balances			
Designated Account			
Project Account			
Total Opening Balance			
Closing Cash Balances			
Designated Account			
Project Account			
Total Closing Balance			

Name of Project
Statement of Cumulative Investments
Year Ended XXXXX

Categories	Current Year US\$	Current Year Cumulative US\$	Prior Year Cumulative US\$
Category 1	Actual	Actual	Actual
Category 2			
Category 3			
Total			