

SCOPE OF WORK

Financial Audits of Regional Secretariat of Coral Triangle Initiative Coral Reefs Fisheries and Food Securities

For Financial Year Ended 31 December 2020

I. BACKGROUND

Coral Triangle Initiatives Coral Reefs Fisheries and Food Securities (CTI-CFF)

The CTI-CFF is an international organization that was officially launched on 15 May 2009 during the Summit of Heads of States of Indonesia, Malaysia, Papua New Guinea, Philippines, the Solomon Islands, and Timor-Leste or called as CT6 as stated in the “CTI Leader’s Declaration” with a view of working together to sustain extraordinary marine and coastal resources including coral reefs, sea-grasses, mangrove ecosystems, and their fishes in the coral triangle area by addressing crucial issues such as food security, climate change and marine biodiversity.

The multilateral partnership of six countries aims to facilitate regional collaboration around sustainable development policies and practices related to marine resource exploitation by combining solid conservation actions with good governance while also recognizing the distinct political, economic, environmental and social challenges of each individual CT6 country.

In the same year, the CT6 governments developed an ambitious and visionary 10-year Regional Plan of Action (RPOA). It captured the joint priorities and commitments of each government and reflects extensive inputs from many partners. RPOA was intended to serve as a rallying point for collective and parallel action at regional, national, and sub-national levels. Currently, the CT6 governments are in the process of renewing the strategic plan for the next 10 years (i.e. RPOA 2.0).

Over the past years, the implementation has taken many forms. At the regional level, multilateral action is undertaken by the CT6 governments, along with coordinated action by CT6 partners operating at the regional scale (e.g., funding agencies, international Non-Governmental Organizations [NGOs], and private sector companies). At the national level, broad stakeholder alliances collaborate around a shared national agenda in each country. And at the sub-national level, local governments and local stakeholders carry out collaborative efforts to generate needed impacts on-the-ground. A set of coordination mechanisms help catalyse this collective action, connect key actors, and maintain momentum.

CTI-CFF Regional Secretariat

On 1 April 2015, the permanent Regional Secretariat was officially established with the appointment of the first Executive Director. The headquarters of the Regional Secretariat is located in Manado, North Sulawesi, Indonesia. (Source: RS Document). The operational activities of the Regional Secretariat are funded by the contribution of the CTI-CF Member States. In some cases, voluntary contributions offered by CTI Partners and other non-Parties and entities may be accepted subject to agreement by the Secretariat with prior authorization from CTI COM/CTI CSO.

The current activities of CTI-CFF Regional Secretariat are limited to supporting the operation of the Regional Secretariat and some activities related to the deliverables of programs, Working Groups and Senior Officials Meeting (SOM) assigned tasks. Systems and procedures of the organization have been developed and gradually implemented within the organization (i.e. Staff Regulations, Financial Regulations, Financial Policy and Procedure Manual). Starting 1 January 2019, the Regional Secretariat implemented the accrual basis of accounting in the financial statements as follow up and management response to the audit finding 2017.

Budget & Funding 2020

The budget for the operation of the Secretariat and its respective programs is evaluated and approved by CT6 countries on annual basis by the Internal Resource Committee (IRC) meeting. The IRC is a body which primary role is to provide an independent review on the internal resources of the Regional Secretariat and to recommend to the CTI-CFF CSOs the following annual budget, internal audit and acceptance of annual audit report and policy directions pertaining to financial and asset management. (Source: IRC's Term of References)

CTI-CFF 15th Senior Officials' Meeting (SOM-15), Honiara, Solomon Islands 7 – 8 November 2019 approved the proposed budget of the CTI-CFF Regional Secretariat for Financial Year 2020 amounting to USD1,811,251 which consist of USD1,041,251 from 2020 country contribution calculation based on 2013 GDP, USD300,000 from estimated saving and USD470,000 from other sources. The other sources are the estimation of uncollected country contributions from member countries which would be received during the Financial Year 2020.

Up to September 2020, the Secretariat received a total sum of USD852,462 out of total contribution for FY 2020. They are the contribution from Malaysia at USD 191,576, the Solomon Islands at USD 131,114, Indonesia at USD 352,092 and the Philippines at USD 177,680. The total amount of uncollected country contributions as of September 2020 is USD516,065 (Papua New Guinea USD310,324 and Timor Leste USD105,841 and Solomon Islands USD 99,990)

Business Continuity Plan

The WHO-declared COVID-19 virus pandemic in early 2020 has created chaos world-wide in terms of risks for health, travel, and the unprecedented postponement of business activities including training, workshops, meetings, conferences, etc. Various countries impose travel bans (inbound and/or outbound), movement, lockdowns, quarantines, COVID-test certification requirements for cross-district, national and international travels, etc.

CTI-CFF Regional Secretariat facilitates and coordinates various regional activities for the CTI CFF, including the many working groups SOM-approved meetings and training, as well as in the implementation of the RPOA and in finalizing the RPOA 2.0. Some of them have been carried out virtually.

IRC Virtual Meeting 23 July 2020, agreed for RS to carefully review the implementation of activities the year 2020 vis-à-vis the realities during COVID-19 situation such as travel restrictions, additional costs for health certification, 14-day quarantine on the receiving country and country of origin, and CT6 Member Countries' priority to focus on COVID-19 response.

CTI-CFF Financial Regulation: Contribution and Other Income

RS CTI-CFF Financial Regulation Article 4, the funds of the Secretariat shall include:

- a) Assessed Contributions made by Parties (CT6) in accordance with Schedule 1 of these regulations;
- b) Voluntary Contributions made by Parties, CTI Partners or other entities; and
- c) Such Other Funds to which the Secretariat may become entitled or may receive, including income from investments.

All income other than contributions to the budget shall be classified as Miscellaneous Income and credited to the General Fund. The use of Miscellaneous Income shall be subject to the same financial controls as activities financed from regular budget appropriations.

CTI-CFF Financial Regulation: Accounting

RS CTI-CFF Financial Regulation Article 11.1. The Executive Director shall:

- a. Ensure that appropriate records and accounts are kept of the transactions and affairs of the Secretariat.
- b. Perform all things necessary to ensure that all payments out of the Secretariat's moneys are correctly made and properly authorized.
- c. Ensure that adequate control is maintained over the assets of the Secretariat, or any assets in the custody of the Secretariat.
- d. Ensure that adequate control is maintained over the incurring of liabilities by the Secretariat.

CTI-CFF Financial Regulation: External Audit

CTI-CFF Financial Regulations Article 14.1, the CTI CSO Chair shall appoint the external Auditor with consent of the Parties, who shall be the Auditor-General or equivalent statutory authority from a Party affiliated with internationally recognized independent auditor or an internationally recognized independent auditor with local office established in Indonesia with experience in the audit of international organization.

II. TITLE

Audit of the Financial Statement (Fund Accountability Statement) of the Regional Secretariat of CTI CFF for the period as from 1 January 2020 through 31 December 2020.

III. OBJECTIVES

The objective of this engagement is to conduct a financial audit of the CTI CFF resources managed by Regional Secretariat of CTI CFF and its program activities as approved for the Year 2020 in accordance with **Generally Accepted Auditing Standard**.

All amounts in the financial audit report is stated in U.S. dollars. The auditors should indicate the exchange rate(s) used in the notes to the fund accountability statement.

IV. AUDIT SCOPE

RS CTI CFF Financial Regulations Article 11.2 The CTI-CFF Executive Director shall submit annual financial statements to the CTI COM and the CTI CSO. The annual financial statements shall show, for the financial year to which they relate:

- a the income and expenditure relating to all funds including donations from CTI Partners, Collaborators, and other source of funds and accounts;
- b the status with regard to budget/appropriations, including:
 - the approved budget/appropriations;
 - the actual expenditure under or in excess of the approved budget/appropriations;
 - any other income;
 - the detailed amounts charged against these appropriations and other income;
- c the financial assets and liabilities of the Secretariat;
- d investments, where such investments shall be restricted to securities and other investments issued by financial institutions or Government bodies with current ratings, provided by a rating body approved by the Secretariat's Auditor, indicating a strong capacity to pay;
- e Loss of assets and bad debts proposed in accordance with Regulation.
- f Provide such other information as may be appropriate to indicate the financial position of the Secretariat.

In addition, the Financial Regulations Article 14.4 on External Audit requires the scope of audit will include as follows:

The Auditor shall conduct their examination of the financial statements in conformity with generally accepted auditing standards and shall report on all relevant matters, including:

- Whether, in their opinion, the statements are based on proper accounts and records;
- Whether the statements are in agreement with the accounts and the records;
- Whether, in their opinion, the income, expenditure and the acquisition and disposal of assets with these Regulations; and
- Observations with respect to the efficiency and economy of the financial procedures which will include on human resources, procurements, travel management, cash management, general administration and information systems.

V. METHODOLOGY

Pre-Audit Documents Reviewed

Following is a list of documents applicable to different CTI CFF programs. The auditor must review the applicable documents considered necessary to perform the audit:

- The Annual Report 2020
- Budget Notes:
 - 2020 Actual Expenses
 - 2020 Proposed Budget
 - 2021 – 2023 Proposed Forecast Budget
- The budgets, implementation letters, and written procedures approved by CTI-COM/CTI-CSO.
- All program financial and progress reports; charts of accounts, organizational charts; accounting systems descriptions; procurement policies and procedures; and receipt, and distribution procedures for materials, as necessary to successfully complete the required work.
- Any previous audits, financial reviews, etc., that directly relate to the objectives of the audit.

Follow-up prior Audit Recommendation

The Auditor must review the implementation of previous Audit Recommendation carried-out by the Secretariat

Hold entrance and exit conferences:

The Auditor must hold the Entrance and The Exit Conference with the Regional Secretariat. The CTI-COM/CTI-CSO must be notified of these conferences in order that CTI-COM/CTI-CSO representatives may attend, if deemed necessary.

VI. AUDIT REPORTS & TIMELINE

Audit Reports

RS CTI-CFF Financial Regulations Article 14.6, the Auditor shall, within sixty (60) days of the date upon which the annual financial statements are submitted by the Executive Director (i.e. 31 March 2021 at the latest), issue a report on the audit of the financial statements and relevant procedures related to the accounts for the financial period, which shall include such information as the Auditor deems necessary with regard to matters referred to in paragraph 4 as appropriate. The Auditor shall provide two copies of the Audit Reports and Audited Financial Statements, one copy to the Chair of the CTI CSO and COM and another copy to the Regional Secretariat upon completion of the audit as stated in the contract.

The format and content of the audit reports must contain:

- i. Statement of Responsibilities of the Regional Secretariat

ii. Independent Auditor's Report

iii. Financial Statements

- Statement of financial position
- Statement of activities and changes in net assets
- Statement of cash flows

iv. Notes to Financial Statements

1. The Regional Secretariat
2. Summary of Significant Accounting Policies
3. Cash and cash equivalent
4. Account Receivables
5. Prepaid Expenses
6. Fixed Assets
7. Account Payables
8. Accrued Expenses
9. Tax Payables
10. Unearned Revenues
11. Member's Contribution
12. Salaries
13. Office Expenditures
14. Program Activities Expenditures
15. Senior Official's Meeting Expenditures
16. Depreciation Expenditures
17. Supplementary Information

v. Attachments

- Budget and Actual CTI CFF Member's Contributions for the period of 1 January 2020 to 31 December 2020
- Business Continuity Plan (*Approved*)

Timeline

The Auditor must prepare Audit Schedule which will describe the detail of activities and dates:

Detail of Activities and dates

- Signing the audit contract – 10 December 2020 (Thursday)
- Audit planning – 11 January 2021 (Monday)
- Collecting data – 13 January 2021 (Wednesday)
- Entrance Conference and commencement of the field audit – 27 January 2021 (Wednesday)
- Preparation of first draft of audit report – 26 February 2021 (Friday)
- First draft of audit report submitted to Regional Secretariat – 1 March 2021 (Tuesday)
- Comment from Regional Secretariat on the First draft report – 4 March 2021 (Thursday)
- Revised draft report incorporating comments from Regional Secretariat – 8 March 2021 (Monday)
- Submitting the second draft report to the Regional Secretariat – 10 March 2021 (Wednesday)
- Regional Secretariat comments the second draft report – 12 March 2021 (Friday)
- Revised the second draft report incorporating comments from Secretariat – 15 March 2021 (Mo.)
- Final draft report agreed by the Secretariat – 19 March 2021 (Friday)
- Exit Conference – 23 March 2021 (Tuesday)
- Preparation for final audit report -26 March 2021 (Friday)
- Final Audit Report submitted to CTI CSO and to Regional Secretariat CTI CFF – 30 March 2021 (Tuesday)

VII. QUALIFICATIONS OF THE AUDITOR

- The Auditor must employ adequate staff with appropriate professional qualifications and suitable experience with including experience in auditing the accounts of entities comparable in size and complexity to the entity being audited.
- The Auditor's team should be experienced in applying international audit standards applicable for the audit
- The Auditor's team should have a sound-track record in conducting an audit review of international organizations or public entities with not for-profit experience.
- The Auditor's team should have working knowledge in Bahasa Indonesia, as some vouchers, receipts, additional reports may not be available in English.
- The Auditor's team must be completely impartial and independent from all aspects of management or financial interests in the entity being audited.
- Curriculum vitae (CVs) should be provided by the principal of the firm of auditors who would be responsible for signing the opinion, together with the CVs of managers, supervisors and key personnel proposed as part of the audit team. CVs should include details on audits carried out by the applicable staff, including ongoing assignments indicating capability and capacity to undertake the audit.
- The Audit Firm should state its legal nature, the total number of auditors who are owners and/or employees of the firm as well as auditing services provided by the firm and state whether the firm has any associations or affiliation with any other professional firm as auditors in the Indonesia or abroad.

VIII. ILLUSTRATIVE BUDGET AND FEES

Please outline your budget proposals for the audit in US Dollar. It will include Professional Fees, and Out of Pocket Expenses (fixed cost)