

Critical Ecosystem Partnership Fund

**No-Objection Approval Request
June 10, 2019**

Revisions to the Operational Manual: Audit and Reporting

Recommended Action Item:

The Donor Council is asked **to approve on a no-objection basis** changes to the CEPF Operational Manual regarding a replacement of a program-wide audit with funder-specific audits as required in bilateral financing agreements.

The deadline for no-objection approval is **June 24, 2019**.

Background:

The Operational Manual sets out the operating policies and procedures of CEPF agreed by the donor partners, in line with the CEPF Strategic Framework (2008-2012). The Operational Manual contains the operating policies and procedures that apply to all new investment regions beginning in fiscal year 2008. It includes inter alia grant application templates, information related to safeguard policies, the decision-making process, the grant agreement template, reporting forms, and provisions to avoid conflict of interest. The manual may only be amended with approval by the CEPF Donor Council.

The original version of the Operational Manual was approved by the Donor Council on 18 September 2007, following an electronic, no-objection process. Subsequent updates to the manual were approved by the Donor Council in February 2009, January 2011, August 2012, March 2013 and, most recently, June 2017.

Since the latest update in June 2017, all financing agreements requiring a program-wide audit of CEPF, or that make reference to this provision in the CEPF operational manual, have concluded. In negotiations for additional financing with Donor Council organizations, numerous donors have required, or expressed the intention to require, an audit specific to the use of funds under the bilateral financing agreement with CEPF, rather than an audit of the entire program's funds and activities.

The changes reflect this approach towards project-specific audits of CEPF funds and activities and will better align the Operational Manual with the bilateral agreements signed recently or under negotiation currently.

Additionally, a change is proposed to remove a donor-specific reporting template that does not apply to the Donor Council generally and was relevant to a financing agreement that is no longer active.

The changes proposed to the Operational Manual were presented and discussed at the 59th meeting of the CEPF Working Group on June 6, 2019 resulting in consensus to seek Donor Council approval.

Summarized below are the revisions suggested for the Operational Manual discussed in this memo relating to Financial Management and Financial Reporting. The Operational Manual, not yet incorporating these proposed revisions, is accessible [here](#).

- Section 2.1, Overview of Financial Management: Language revised to allow CEPF to negotiate specific audit requirements for use of separate donor funds on a bilateral basis.
- Section 2.1.1, External Audit Terms of Reference: The section is removed entirely. Audit terms of reference may be negotiated as part of bilateral agreements with CEPF donors.
- Section 6.1, Interim Un-audited Financial Report: The section is a reporting template specific to World Bank financing agreements that are no longer active.