



# **Forest Carbon Partnership Facility**

## **Single Audit**

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**Management Vice Presidency**



# WBG Financial Reporting & Audit Arrangements

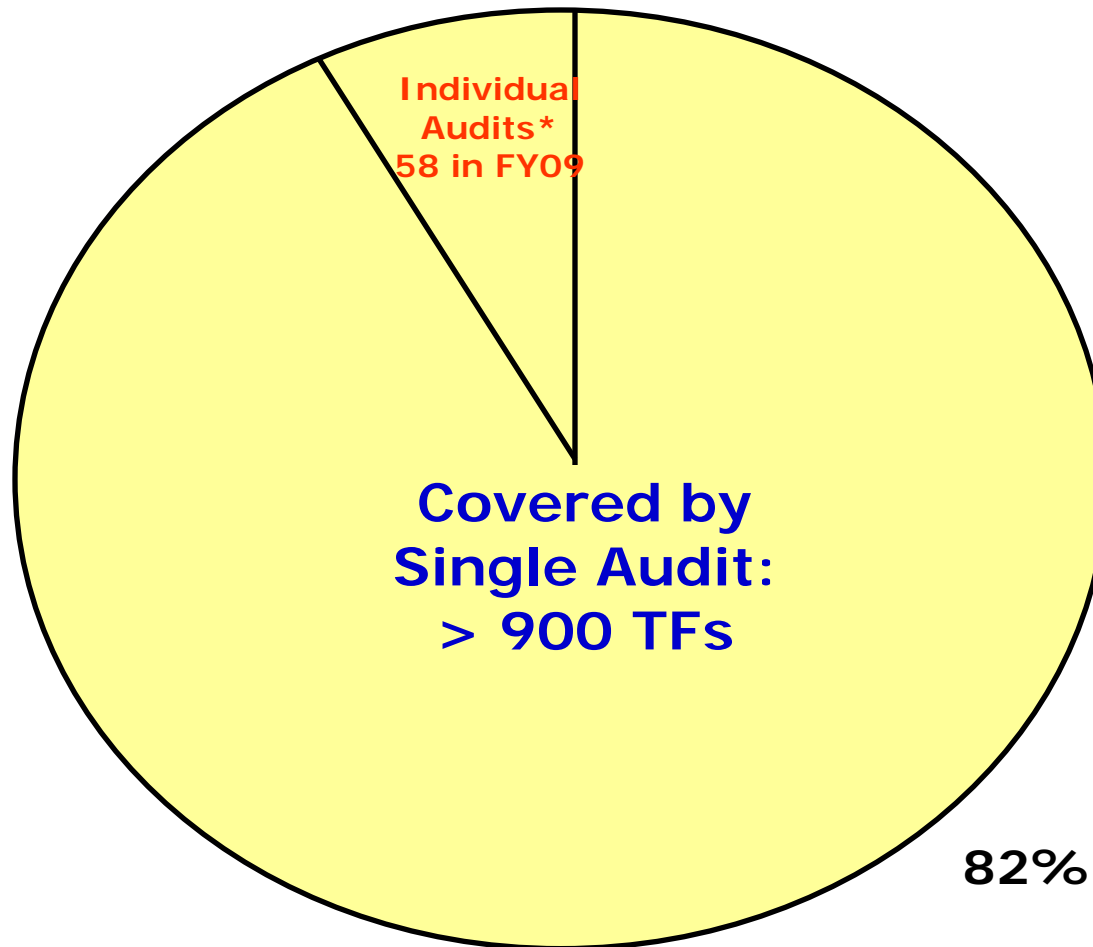
- Single Audit: 82% by number (828 funds)  
27% by dollar value (circa \$17.4 billion)
- Individual financial statement audits: 18% by number (58 in FY09)  
73% by dollar value (\$47.1 billion)
- Audited financial statements, daily updates of financial reports, and other information are all now readily available on the web

# Financial Audit Arrangements – FY09 Onwards

ALL Trust Funds Are Now Subject  
to A Financial Statement Audit –  
Without Exception

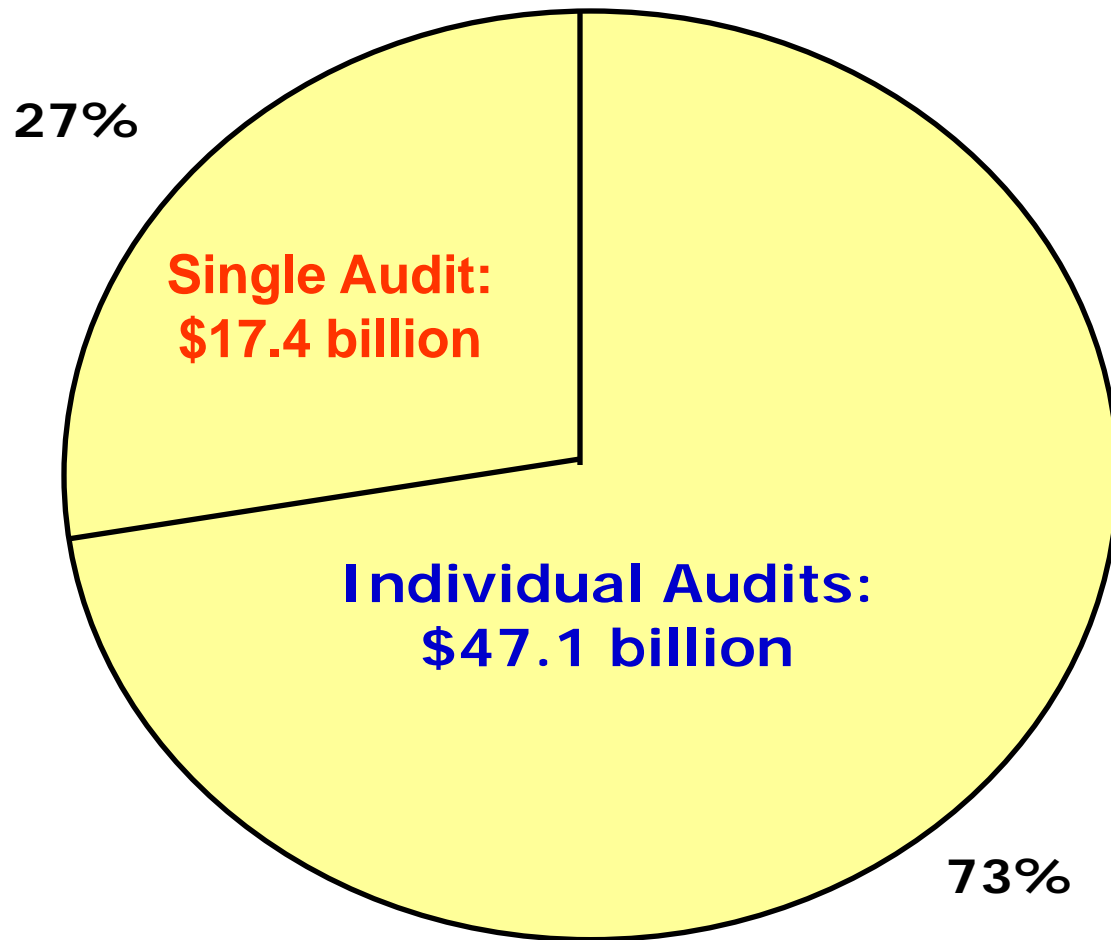
**100%**

# Financial Audit Arrangements – By Number



\* e.g. GEF, HIPC, GF, IFFIm, etc.

# Financial Audit Arrangements – By US Dollar





## Keep in mind...

- Financial statement audits are expensive (external audit fees plus internal costs of WBG)
- Audit fees are charged to the trust fund (good use of resources?)
- Financial statement audits do NOT give Donors assurance over achievement of development objectives
- Provide assurance over the cash in and out, fund balance, investment income, administration fees

# What does the "Trust Fund" Portfolio currently look like?

## Funds Held in Trust

<b>Funds Held in Trust</b> <i>USD Millions</i>	<b>As of March 31</b>	
	<b>2009</b>	<b>2008</b>
Cash & Investments	18,934	16,614
Promissory Notes	7,560	9,915

## Trust Fund Activities

<b>Trust Fund Activities</b> <i>USD Millions</i>	<b>Nine months ended</b>	
	<b>Mar-09</b>	<b>Mar-08</b>
Cash contributions from donors	6,570	6,495
Cash disbursements	5,302	5,040
Investment Income	768	1,020

## Five Largest Funds

<b>Five Largest New Trust Funds activated during the nine months ended March 31, 2009</b>	<b>Expected donor contributions per TF proposal</b> <i>USD Millions</i>	<b>Amount per signed administration agreements</b> <i>USD Millions</i>
Strategic Climate Fund	1,060	-
Carbon Partnership Facility fund	502	87
Food Price Crisis Response Core Multi-donor trust fund	500	35
Bangladesh-Strengthening public expenditure program	116	20
Multi-donor trust fund for Cambodia second health sector support program	108	77



# Overview of WBG Single Audit Historical Perspective

## Overview of the Single Audit

- Annual assertion by management over the internal controls surrounding cash – based financial reports
- Management assertion on internal controls includes:
  - Contributions from Donors are recorded in the appropriate trust fund on a timely basis
  - Assets from underlying funds held in trust are segregated from funds of the WBG
  - Transactions are recorded in the underlying financial records and the financial reporting of each trust fund are valid and complete
  - Investment income is earned and credited to the appropriate trust fund in accordance with the terms and provisions of the agreements
  - Disbursements follow established WBG policies and procedures
  - Fees for administering each trust fund are charged in accordance with the terms and provisions of the trust fund agreements
  - Financial reporting is in compliance with the requirements set forth in the legal agreements entered into with the donors
- External auditor's attestation
- Applicable audit standard (AT 501 issued by the AICPA)





# What Happened Since May 2008?

- AICPA issued “Statement on Standards for Attestation Engagements (SSAE) No. 15, An Examination of an Entity’s Internal Controls Over Financial Reporting That Is Integrated with an Audit of Its Financial Statements”
- Became effective on December 15, 2008
- Auditor no longer able to issue an attestation report on internal controls UNLESS integrated with financial statements
- Need to fit new audit framework for > 900 funds
- Introducing the “combined financial statement” for all cash based trust funds

# The Way Forward: New WBG Single Audit Framework, Effective FY09

- Management Assertion over Internal Controls
- External Auditors Attestation Report



Since 1994  
Until FY2008

## PLUS

- Combined Financial Statement for ALL Cash Based Trust Funds
- External Audit Report Thereon



**NEW:**  
Effective FY2009



## The Way Forward: New WBG Single Audit Framework, Effective FY09

- Approved by Audit Committee on February 11, 2009
- Discussed at length with external auditors over past two years
- More expensive – two WBG reports / two audits
- Continue to be audited under both US GAAS AND International Standards on Auditing
- Sample documentation of new single audit framework available
- ALL trust funds now subject to an audit every year – no exceptions
- Major audit improvement over previous arrangements
- Non cash-based financial statements are not covered by the single audit



# Challenges

- Acceptance that individual financial statement audits for “small” trust funds have limited value
- Best practice financial reporting / audits will continue to be encouraged for exceptionally large / complex funds
- Donors can always request an audit (providing they bear the cost)
- Cost vs. Benefit
- Existing administration agreement – need for waivers
- Expand single audit to include ALL TFs
- Provide donors with greater assurance over use of funds
- Attestation services for non cash based funds
- Explore ISO 9000 for processing activities