



# **INSTRUCTIONS GUIDE FOR THE SELECTION AND CONTRACTING OF AUDITING FIRMS IN THE FRAMEWORK OF PROCUREMENTS FINANCED WITH CABEI'S RESOURCES**

**Version 1**

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**R i s k M a n a g e m e n t**

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## Table of Contents

<b>I. INTRODUCTION.....</b>	<b>3</b>
<b>II. OBJECTIVE.....</b>	<b>3</b>
<b>III. SCOPE.....</b>	<b>3</b>
<b>IV. ABBREVIATIONS AND TERMS.....</b>	<b>3</b>
<b>V. DEFINITIONS .....</b>	<b>4</b>
<b>VI. RELATED DOCUMENTATION .....</b>	<b>4</b>
<b>VII. DEVELOPMENT.....</b>	<b>5</b>
1. General Aspects .....	5
2. Comparison of Qualifications for the Selection of Auditing Firms.....	6
The aspects to be evaluated are technical and economic. The evaluation of the technical proposal must include:.....	6

# INSTRUCTIONS GUIDE FOR THE SELECTION AND CONTRACTING OF AUDITING FIRMS IN THE FRAMEWORK OF ACQUISITIONS FINANCED WITH CABEI RESOURCES

## I. INTRODUCTION

The Central American Bank for Economic Integration (CABEI) is an international multilateral development financial institution whose resources are invested, among others, in the non-financial public sector of its member countries, which generally use CABEI's Procurement Policy and its Application Standards for the Acquisition of Works, Goods, Services and the Selection of Consultants.

The external audit is an important element in the process of reviewing operations and, consequently, the professional technical competence and independence of the auditing firms are essential attributes to be evaluated at the time of their selection. The professional obligation of an auditing firm is not exclusively to satisfy the needs of its client, but to act in the public interest, by observing and complying with the fundamental principles required by the applicable auditing standards.

For operations financed by CABEI, this professional responsibility is especially relevant to achieve the objectives. In this sense, the distinction to contract the services of auditing firms acquires particular relevance and this situation has been recognized in the rules for the application of the procurement policy.

This guide has been prepared to facilitate the selection of audit firms that must be external and independent of the operations financed by the Bank, it incorporates the guidelines for applying the Rating Comparison method, in accordance with the update of the Norms for the Application of the Procedures for Procurement of Goods carried out in 2022.

## II. OBJECTIVE

The purpose of this document is to indicate the guidelines that the Borrower/Beneficiary or Executing Agency must follow for the selection and contracting of auditing firms with funds from CABEI operations; such firms must be external and independent.

## III. SCOPE

This document should be used by borrowers/recipients or executing agencies for the proper management of the selection and contracting of auditing firms where CABEI's Procurement Standards are applied in public sector operations financed by the Bank.

## IV. ABBREVIATIONS AND TERMS

- **CABEI:** Central American Bank for Economic Integration.
- **GPP:** General Procurement Plan.
- **ToR:** Terms of Reference.

## V. DEFINITIONS

- **Auditing firms:** Companies formed by professionals with a Public Accountant or equivalent degree who are legally authorized to practice that profession in a country, such firms apply the International Standards on Auditing (ISA), issued by the International Federation of Accountants (IFAC) or its equivalent in the country, with the quality required by the profession, and are generally registered with the regulatory entities of the auditing profession operating in their countries.
- **No objection:** Within the framework of the Policy and Rules for its Application, it is CABEI's manifestation by means of a communication issued by the representative office or technical area responsible for the operation indicating that the documentation presented by the Borrower/Recipient is in accordance with the provisions of the Policy and these Rules, but without implying legal or technical responsibility for its content.
- **Borrower/Beneficiary:** A public legal entity that has signed a contract or agreement for the financing of an operation with CABEI and generally appoints an executing agency for its execution.

## VI. RELATED DOCUMENTATION

- Policy for the Procurement of Assets, Works, Services and Consultancies with CABEI Resources.
- Norms for the Application of the Policy for the Procurement of Assets, Works, Services and Consultancies with CABEI Resources.
- Request for Proposals for Auditing Firms.

## VII. DEVELOPMENT

### 1. General Aspects

#### Eligibility

- 1.1. Auditing firms will not be eligible for adjudication of contracts or contract extensions if they are included in CABEI's list of prohibited counterparties and recognized by CABEI:
  - a. United Nations (UN) Security Council Consolidated Sanctions List:  
<https://scsanctions.un.org/search/>
  - b. Consolidated list of individuals, groups, and entities subject to European Union (EU) financial sanctions. To gain access, a free account must be created within the EU platform:  
<https://webgate.ec.europa.eu/fsd/fsf#!/files>
  - c. Consolidated list of individuals, groups, and entities subject to World Bank (WB) sanctions:  
<https://www.worldbank.org/en/projects-operations/procurement/debarred-firms>
  - d. Office of Foreign Assets Control (OFAC) Consolidated List:  
<https://sanctionssearch.ofac.treas.gov/>
  - e. Lista "HM Treasury Consolidated List of Targets":  
<https://sanctionssearch.ofsi.hmtreasury.gov.uk/>
  - f. CABEI's List of Prohibited Counterparties.

#### Invitation or publication

- 1.2. The calls may be made through:
  - a. Direct invitation: invitation letter issued by the contractor directly to the list of eligible audit firms and not objected by the Bank.
  - b. Public calls: Invitation to participate made publicly by means of a call that allows the free concurrence of auditing firms. A public call will be considered to have been made when it has been published in at least one of the following instances, whether digital or printed:
    - i. Publication in digital media
      - Website of the Procurement Regulatory Office in the Employer's country.
      - Contractor's web page.
      - Digital version of newspapers with wide national circulation.
    - ii. Publication in printed media
      - Newspapers (written press) of national circulation in the Employer's country.

An example of the invitation and public call for proposals can be found in the Request for Proposals Document for Auditing Firms.

## INSTRUCTIONS GUIDE FOR THE SELECTION AND CONTRACTING OF AUDITING FIRMS IN THE FRAMEWORK OF ACQUISITIONS FINANCED WITH CABEI RESOURCES

### **2. Comparison of Qualifications for the Selection of Auditing Firms**

- 2.1. Regardless of their estimated amount in the GPP, the qualification comparison method will be applied using the Request for Proposals Document for Audit Firms for the selection of audit firms.

### **List of Eligible Audit Firms and CABEI's No Objection**

- 2.2. The Borrower requests CABEI's No Objection to the list of auditing firms recognized by other Multilateral Banks similar to CABEI in the Borrower/Beneficiary's country. If the Executing Agency does not have a list of auditing firms recognized by other Multilateral Banks or the Bank does not have an eligible list, a public call may be made.

### **CABEI's Terms of Reference, Evaluation Criteria and No Objection**

- 2.3. The qualification comparison process for hiring audit firms must be included in the current GPP and not objected by the Bank. The Borrower must prepare a request for proposal that includes the Terms of Reference (ToR), and request CABEI's No Objection. An example of the ToR can be found in the Request for Proposals Document for Audit Firms.
- 2.4. The Terms of Reference shall include at least the following structure:
- a. Background of the operation
  - b. Objectives
  - c. Responsibilities of management and those responsible with governance of the operation with respect to financial statements
  - d. Responsibilities of the Auditing Firm
  - e. Scope and standards to be applied
  - f. Deliverables and Reports: Required Audit Reports
  - g. Deadline for delivery of audit reports and method of payment
  - h. Other Aspects deemed necessary by the Borrower.
- 2.5. Evaluation Criteria: Clear, concrete, and objectively measurable criteria should be included, in accordance with the model indicated in the Request for Proposals Document for Audit Firms.

The aspects to be evaluated are technical and economic. The evaluation of the technical proposal must include:

- a. Specific experience of the auditing firm in the sector.
- b. Experience, academic background, and professional level of the firm's proposed personnel.

## INSTRUCTIONS GUIDE FOR THE SELECTION AND CONTRACTING OF AUDITING FIRMS IN THE FRAMEWORK OF ACQUISITIONS FINANCED WITH CABEI RESOURCES

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- c. Methodology and proposed work plan to be applied in the audit services.

The criteria to be evaluated, as well as their technical and economic weighting within the total qualification, will be determined according to the specific requirements of the operation. The minimum score required to consider comparable proposals shall be indicated. Tie-breaking criteria must be defined, which may be related to specific audit experience in the sector.

### **Request for Proposal and No Objection from the Bank**

- 2.6. Upon receipt of the Bank's No Objection to the short list, and documents comprising the request for proposal: terms of reference, evaluation criteria, the Borrower shall invite the list of auditing firms to submit proposals or issue a public call for proposals.
- 2.7. The Borrower shall indicate in the invitation the form in which the proposals shall be presented, which may be physical or electronic, the latter shall indicate the institutional email address to which the proposals shall be sent.
- 2.8. The term to present an expression of interest and the respective proposal shall be at least (14) calendar days, starting on the next business day following the publication/invitation; such term shall be extended according to the scope of the audit to be performed.
- 2.9. Information that the auditing firm must deliver with its technical and economic proposal must be indicated and must include at least:
  - a. Presentation letter of the proposal.
  - b. Affidavit related to eligibility to sign contracts with CABEI's financing as indicated in guideline 1.1.
  - c. Supporting documentation of the accreditations required in guideline 2.5. The forms can be found in the Request for Proposals Document for Auditing Firms.
- 2.10. The Borrower must include in the request for proposal the model contract along with the Integrity Provisions. The sample contract can be found in the Request for Proposals Document for Auditing Firms.

### **Reception of Proposals**

- 2.11. Once the deadline for the receipt of proposals is closed, the reception report will be prepared for subsequent evaluation and comparison of the proposals received.

### **Evaluation of Proposals and Recommendation for Adjudication**

- 2.12. Once the proposals are available, they will be evaluated and compared in the following steps:

## INSTRUCTIONS GUIDE FOR THE SELECTION AND CONTRACTING OF AUDITING FIRMS IN THE FRAMEWORK OF ACQUISITIONS FINANCED WITH CABEI RESOURCES

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- a. The eligibility of auditing firms should be verified in accordance with guideline 1.1 of this guide.
- b. Each proposal will be evaluated according to the criteria established in the request for proposal.
- c. In the event of receiving several proposals that meet the minimum required score, the auditing firm that submitted the proposal with the highest score will be identified. If there is a tie among the auditing firms, the tie-breaking criteria defined in the request for proposal shall be applied.
- d. Adjudication recommendation:
  - i. Once it is verified that the best qualified auditing firm is not on CABEI's Prohibited Counterparty List or recognized by CABEI, it will be recommended for adjudication.
  - ii. An evaluation report containing the details of the process carried out will be prepared and submitted for CABEI's No Objection; once the No Objection is received, the contract may be negotiated. If the contract is modified as a result of the negotiations, the modified contract and the negotiation minutes must be submitted to the Bank.
  - iii. The auditing firms are notified of the intention to award the contract, with a period of 10 working days to present any disagreement or protest.
  - iv. Once the term has elapsed and no protest is pending, the contract is awarded. If protests are received, the adjudication process is suspended until the contract is resolved. The borrower/beneficiary must inform CABEI of the presentation and resolution of the protests made. Once all protests have been addressed and resolved, the borrower proceeds with the adjudication.
  - v. Once awarded, the Borrower shall send the Bank a copy of the signed contract.



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Figure 1 describes the rating comparison process for the selection of external audit firms:

