



TERMS OF REFERENCE

Selection of Internal Auditor for CCRIF SPC

1. Background

In 2007, the Caribbean Catastrophe Risk Insurance Facility (CCRIF) was formed as the first multi-country risk pool in the world and was the first insurance instrument to successfully develop parametric policies backed by both traditional and capital markets. It was initially designed as a regional catastrophe fund for Caribbean governments to limit the financial impact of devastating hurricanes and earthquakes by quickly providing financial liquidity when a policy is triggered. CCRIF was developed under the technical leadership of the World Bank and with a grant from the Government of Japan. It was capitalized through contributions to a multi-donor Trust Fund by the Government of Canada, the European Union, the World Bank, the governments of the United Kingdom and France, the Caribbean Development Bank and the governments of Ireland and Bermuda, as well as through membership fees paid by participating governments.

In 2014, the facility was restructured into a segregated portfolio company (SPC) to facilitate expansion into new products and geographic areas and is now named CCRIF SPC. The new structure, in which products are offered through a number of segregated portfolios, allows for total segregation of risk. In April 2015, CCRIF SPC signed an MOU with COSEFIN - the Council of Ministers of Finance of Central America, Panama and the Dominican Republic - to enable Central American countries to formally join the facility. The expansion to Central America and the Caribbean is supported through the World Bank administered Central America and Caribbean Catastrophe Risk Insurance Program Multi-Donor Trust Fund (MDTF) established for that purpose. The MDTF channels resources from various donors, including: Canada, through the Department of Foreign Affairs, Trade and Development, the United States, through the Department of the Treasury; the European Union, through the European Commission, and Germany through the Federal Ministry for Economic Cooperation and Development.

Funding under the Program has been allocated to: (i) expand the services and membership of CCRIF SPC through a recipient-executed Project implemented by CCRIF SPC. The Central America and Caribbean Catastrophe Risk Insurance Project (P149670) was approved by the Regional Vice President for Latin America and the Caribbean on June 30, 2015. The Project is implemented by CCRIF SPC (CCRIF Segregated Portfolio Company, formerly the Caribbean Catastrophe Risk Insurance Facility). The Project development objective is to improve affordability of high-quality sovereign catastrophe risk transfer associated with earthquakes and climate-related events for CCRIF participating countries. The expansion of membership into Central America has the potential to diversify the risk portfolio, improve access to reinsurance markets hence reduce the cost of risk transfer, allowing these benefits to be passed on to its members. The peer review of the actuarial soundness of CCRIF SPC's loss assessment models

for Central America and the Caribbean will be financed with grant funding from the Central America and Caribbean Catastrophe Risk Insurance Project.

CCRIF SPC is registered in the Cayman Islands with a board of directors which is responsible for governance and the strategic direction of the company and a chief executive officer with responsibility for managing the company on a day to day basis. It operates as a virtual organization, supported by a network of service providers covering the areas of risk management, risk modelling, captive management, reinsurance, reinsurance brokerage, asset management, technical assistance, and corporate communications and information technology. CCRIF SPC offers earthquake, tropical cyclone and excess rainfall policies to Caribbean and Central American governments. CCRIF SPC helps to mitigate the short-term cash flow problems small developing economies suffer after major natural disasters. CCRIF SPC's parametric insurance mechanism allows it to provide rapid payouts to help members finance their initial disaster response and maintain basic government functions after a catastrophic event.

Nineteen Caribbean govern are currently members of the facility: Anguilla, Antigua & Barbuda, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Dominica, Grenada, Haiti, Jamaica, Montserrat, St. Kitts & Nevis, Saint Lucia, Saint Vincent & the Grenadines, Saint Vincent, Sint Maarten, Trinidad & Tobago and Turks & Caicos Islands. Nicaragua is the first Central American government to become a CCRIF SPC member.

2. Scope of Works

The Terms of Reference are intended to provide scope of works and deliverables to engage a professional firm to provide Internal Audit Services on behalf of the CCRIF SPC through the Audit and Risk Management Committee (ARMC) of the Board.

The Internal Audit function will be contracted out to an external institution with specialized audit expertise. The Internal Audit function is responsible for the providing an independent appraisal of all CCRIF's activities, financial and otherwise. It is responsible for evaluating and reporting to the Board of CCRIF, through the ARMC, and providing them with assurance on the arrangements for governance, risk management, control, quality of data and value for money.

The Internal Audit function will address

- the control environment, risk assessment processes, and monitoring and control
- activities and encompasses the following business objectives:
 - i. Safeguarding of assets;
 - ii. Reliability of financial and management information;
 - iii. Compliance with internal and external policies and regulations; and
 - iv. Operational effectiveness and efficiency.

The Internal Audit Service may also conduct any special reviews requested by the ARMC or the Chief Executive Officer (CEO) subject to the prior approval of the ARMC.

The Internal Audit firm may, when required by the ARMC, examine and report on areas of deficiency identified by CCRIF's external auditors.

3. Purpose / Function of the Internal Audit

The Internal Audit function must, in consultation with the ARMC, prepare:

- a rolling two-year strategic internal audit plan based on its risk assessment of key areas of risks for the organization, having regard to its current operations, the operations proposed in its corporate or strategic plan and its risk management strategy;
- a detailed internal audit plan for the first and second year of the rolling plan which will include:
 - i. an evaluation of the documented policies and procedures to assess whether they are adequately designed to achieve the underlying compliance, risk management and control objectives.
 - ii. detailed testing of selected transactions based on internal audit methodology to determine the extent to which actual routines were in compliance with the approved internal control policies and procedures documentation.
 - iii. review of the organizational design for the specified areas to determine whether it effectively satisfies the company's objectives.
- A detailed report on the findings during the engagement and recommendations for improvement to the policies as well as an assessment on how management is adhering to the policies and procedures currently in place.
- A brief evaluation of the implementation of previous recommendations made at the end of the subsequent internal audit, after the recommendations were submitted.
- An assessment of controls put in place to deter and detect fraud.

4. Competence Requirements of Internal Audit Function

The service provider should meet the following competency requirements:

- Be independent of the organization and of the External Audit function;
- Be competent in the professional practice of internal auditing;
- Comprise certified audit professionals, e.g. CIA, CA or CISA, who possess current knowledge of the Standards;
- Be well versed in the best practices of the profession; and
- Has at least five (5) years of recent experience in the practice of internal auditing at executive management level.

5. Role of the CCRIF

The ARMC will be responsible for annually reviewing the effectiveness of the Internal Audit function and report to the board.

CCRIF's Board of Directors undertakes to:

- provide all the information/documentation necessary for the performance of effective and efficient internal audit function;
- provide logistical support in terms of office space and other resources deemed necessary to execute the internal audit function.

6. Special Conditions

- The period of the contract will be for two (2) years commencing Aug 1, 2021
- The final Internal 2-year Audit Plan must be approved by the ARMC Aug 1 annually for implementation with effect from Aug 15 annually
- The Internal Audit firm engaged will be bound to the Code of Conduct and Confidentiality as per the IIA Standards and the CCRIF policies in the course of their duties.
- CCRIF reserves the right to reject any proposal found to be inadequate or non-compliant to the Terms of Reference.
- The successful bidder must sign a Letter of Engagement with the CCRIF and reporting on the progress and completion of the contract will be made to the ARMC.
- The bidder may not assign, in whole or in part, any of its obligations to be performed under the contract, to any third party, unless the CCRIF has granted prior written consent for the assignment.

7. Deliverables of the Service Provider

The following deliverables must be achieved by the Internal Auditor:

- Prepare a risk assessment report for approval by the ARMC and the Board;
- Prepare a rolling two (2) year strategic Internal Audit Plan in consultation with the ARMC, based on the risk assessment conducted;
- Prepare a detailed internal audit plan for the first and second year of the rolling plan;
- Prepare a close-off progress report at the end of each financial year in line with the
- Annual Internal Audit Plan for presentation to the Audit and Risk Management Committee and the Board.