

ANNEX VI-TERMS OF REFERENCE FOR THE INDEPENDENT AUDIT OF THE GTLAS



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TERMS OF REFERENCE FOR THE INDEPENDENT AUDIT OF THE GTLAS

1) Introduction

The Independent Audit is carried out in accordance with Article 10 of this Agreement. The Independent Audit will address operators and their operations listed in Annex II and will be applied to the timber products listed in Annex I. It will also cover all stages of the supply chain as described in Annex V namely: legal status; legal access to the forest; harvesting; transportation; non-compliance and confiscated timber; processing; sale; import; and export.

The Terms of Reference (ToR) included in this Annex describe the operations and functions of the Independent Audit to assess the system of legality assurance established in this Agreement. The operations of the Independent Audit provides assurance that timber harvested, transported, processed, exported, imported or sold on the domestic market complies with Annex II. They also verify that it complies with the supply chain requirements and that the Licensing Authority has issued FLEGT licences only to shipments that comply with the GTLAS requirements. The ToR set out tasks and protocols for gathering information and reporting. The ToR also establish primary sources of information and describe the qualifications and experience required of the Independent Auditor. These ToR may be used as a basis for the development of more detailed tendering documents.

2) Objectives

The purpose of the Independent Audit is to assess and improve the operation, credibility, and efficiency of the GTLAS.

3) Tasks

Tasks of the Independent Auditor shall include but are not be limited to:

1. Preparing a manual of procedures for the Independent Auditor's operations including methods for gathering information, assessing evidence and reporting.
2. Assessing that the GTLAS is functioning credibly and efficiently and that timber harvested, processed, transported and traded (domestic and internationally) complies with the legal requirements of this system.
3. Verifying that the components of the GTLAS including Annex II, forest allocation and harvesting rights, the supply chain controls, and the verification of its compliance are in place and functioning credibly and efficiently.

4. Assessing the performance and effectiveness of all of the departments in the Guyana Forestry Commission (GFC) involved in the operation of the GTLAS.
5. Assessing the performance and effectiveness of verification activities of Ministries and Government Agencies involved in the operation of GTLAS.
6. Assessing the process for issuing FLEGT Licences in order to ensure that the licence issuance and the verification system is functioning credibly and efficiently.
7. Assessing how reported cases of non-compliance by the different Ministries and Government Agencies involved in the GTLAS' verification are recorded, addressed and archived by the relevant authorities.
8. Identifying gaps and weaknesses in the design and implementation of the GTLAS and suggest recommendations to the JMRC.
9. Assessing the implementation of corrective measures decided by the JMRC to address gaps and weaknesses identified in audit reports.
10. Reporting findings and recommendations to the JMRC, which will publish the summary of these audit reports regularly.
11. Carrying out any other inquiry, analysis or study requested by the JMRC to further substantiate the Independent Audit.

4) *Methodology: Methods for gathering and assessing information and reporting*

The Independent Auditor is required to demonstrate professionalism and integrity at all times. The Independent Auditor shall conform to best international practice suitable with ISO 19011, ISO 17021 or equivalent. The work of the Independent Auditor appointed by the JMRC must be factual, evidence-based and includes field investigations and documentary checks. The manual referred to in 3.1 proposed by the Independent Auditor will be reviewed and agreed by the JMRC before the Independent Auditor starts the auditing activities in conformity with the approved manual.

1. Work schedule - In the first year of operation of the FLEGT licensing scheme, the Independent Auditor shall develop and submit the Independent Audit manual of procedures and conduct one audit. In subsequent years, the Independent Audit shall conduct at least annual audits of the GTLAS for a period of two (2) years after which this frequency will be reviewed by JMRC. The Independent Auditor may conduct impromptu audits and spot

checks as approved by the JMRC.

2. Scope of work - The activities of the Independent Audit shall cover at a minimum all tasks listed in section 3 above. The Independent Auditor shall audit the pertinent activities of relevant Ministries and Government Agencies responsible for different aspects of the GTLAS, in accordance with the approved manual.
 3. Evidence gathering - The Independent Audit manual of procedures shall describe procedures and practices for gathering evidence, including field checks, investigations, interviews, and documentation review. It shall also describe how the Independent Auditor will respond to complaints about its own work and about the operation of the GTLAS.
 4. Audit systems - In documenting audit evidence, diagnosing failures and cases of non-compliance in any part of the GTLAS and following up corrective action taken, the Independent Auditor shall:
 - a) Ensure all observations made during the audits are properly documented and that records of audit evidence detailing the level of performance, compliance, and non-compliance are archived.
 - b) Record observed system-related weaknesses, gaps and areas requiring improvement in the GTLAS, ensure that appropriate recommendations are provided and assess the impact of these recommendations.
 - c) Record and assess the effectiveness of all corrective measures to address cases of non-compliance implemented by the GFC and other relevant Ministries and Government Agencies involved in the GTLAS.
- Adequate resources- the Independent Auditor will have adequate resources for carrying out verifications against the legality definition and the systems for controlling the timber supply chain.
 - Documented management system- the Independent Auditor will have an adequate documented management system to ensure its personnel have the necessary competence and experience to carry out effective verification, and to apply internal control and supervision.

5) *Reports and dissemination*

- The Independent Auditor shall adhere to the structure and protocol for preparing its reports as agreed with the JMRC. The IA shall:

- a) Report on activities in line with the work schedule agreed by the JMRC;
- b) Prepare its reports in accordance with internationally accepted auditing principles and as specified in the manual by the JMRC;
- c) Present a preliminary report to the JMRC for comments;
- d) Present a final and complete report (based on the comments received on the preliminary report and on the evidence gathered) to the JMRC, which contains all relevant information on the audit programme and on the operation of the GTLAS.
- e) Prepare a summary report, which the JMRC will validate for dissemination to the general public. The summary report will be based on the complete report and summarise its main recommendations and conclusions, including on the identified weaknesses of the system.

6) Sources of information

Primary sources of information shall include document reviews, field visits and consultations/meetings with relevant stakeholders. In respect to field visits, the Independent Auditor shall have access to areas where forest resources are being extracted, transported, processed and sold, as well as to points of import and export.

Guyana will ensure that the Independent Auditor has access to all relevant information, including documents and databases that Guyana and the European Union deem important or relevant, especially those that are needed to assess the credibility and efficiency of the GTLAS. Access to information shall include that produced by the GFC and those held by other Ministries and Government Agencies involved in the GTLAS. In particular, the Independent Auditor shall have access to information from the GTLAS and its components and other sources, such as published audits from other countries that have established a FLEGT licensing scheme or Guyana REDD+ Monitoring Reporting & Verification System reports.

Stakeholders that could provide relevant information include:

- a) The GFC, Ministries and other Government Agencies
All GFC Divisions are considered primary sources of information to inform the Independent Auditor.

In the case that the Independent Auditor requires information from other Ministries and

Government Agencies involved in the GTLAS, the Independent Auditor shall have access to these entities through the GFC.

b) Non-State Actors

- a) Indigenous stakeholders
- b) Indigenous People's Commission
- c) National Toshias Council
- d) Guyana Manufacturing and Service Association
- e) Small loggers Association
- f) Forest Products Association
- g) Civil society organisations
- h) Any other private organisation or individual that could provide information on the functioning of the GTLAS

Other sources of information may include:

- a) Body Corporates involved in commercial forestry.
- b) Academic institutions such as the University of Guyana, The Guyana School of Agriculture and the National Agricultural Research and Extension Institute
- c) Local authorities
- d) Competent Authorities from Member States of the European Union
- e) Companies and local Community associations involved in commercial forestry.
- f) Any other stakeholders that the Independent Auditor considers relevant.

7) *Qualifications required*

The Independent Auditor, as a function, should bring:

1. Expertise with at least an advanced degree in Forestry/Forest Management/ Forest Policy, Forest/Environmental Law, Natural Resources Management, or related field.
2. Extensive experience in monitoring and assessment of legal compliance.
3. Proven track record in auditing of forest management, timber processing, timber traceability, customs and chain of custody systems.
4. Good knowledge of regional and international trade in timber and timber products and the commercial forestry sector.
5. Familiarity with issues related or relevant to forestry in Guyana as well as the GTLAS would be an added advantage.
6. Excellent oral and written English communication skills.
7. Demonstrated ability to work with a range of stakeholders and in relating monitoring

activities to the appropriateness of different country environments.

The Independent Auditor shall comply with the following requirements:

- Having no conflict of interest arising from any organisational or commercial relationship as required by ISO 17021, ISO 17065 or equivalent.
- Having no direct involvement in forest management, timber processing, timber trade or regulation in the forestry sector in Guyana.
- Having its own quality control system as required by ISO 17021, ISO 17065 or equivalent.

In addition, the Independent Audit shall also:

1. have a documented internal quality management system;
2. have in place a mechanism for transparently handling complaints or grievances.

8) *Selection process and institutional arrangements*

The bidding process is open to all institutions with relevant capacities, including not-for-profit, academic and research institutions.

Bid evaluation will be transparent and the criteria that will be applied will be made public. The selection process of the Independent Auditor will include due diligence on the competing entities in accordance with the standards established by the JMRC. The bid evaluation report will be made public.

Guyana shall appoint the Independent Auditor upon the non-objection of the JMRC.

9) *Other requirements*

Additional responsibilities of the Independent Auditor include:

- The Independent Auditor shall engage with civil society, Indigenous stakeholders, the private sector and Ministries and Government Agencies in ways that enable stakeholders in Guyana to acquire a fair understanding of the Independent Auditor's work, for example through appropriate engagements.
- The Independent Auditor will hire a contact point person to be based in Guyana through a transparent process.