

January 24, 2006

Mr. Noel Jacobs
Regional Director
PCU - Barrier Reef System Project
Coastal Resources Multiplex Building,
Princess Margaret Drive
Belize City
Belize

Dear Noel:

*MULT 27739: Mesoamerican Barrier Reef Systems
Review of Audit Reports for the Periods Ending: December 31, 2001; December 31,
2002; and December 31, 2003*

We have reviewed the audit reports prepared by Deloitte & Touche, covering the funds managed by the Project Coordinating Unit (PCU) on behalf of the Central American Commission for Environment and Development (CCAD) for the three fiscal years ending December 31, 2001, December 31, 2002 and December 31, under the Conservation and Sustainable Use of the Mesoamerican Barrier Reef System Project (MBRS). The audit reports can be considered acceptable to the World Bank as they provide all the information required.

Pertaining to the Auditors

The auditors issued Unqualified (Clean) opinions on: (i) the MBRS Sources and Uses of Funds Statements; (ii) Special Accounts Statements; (iii) Statement of Expenditures and (iv) on Compliance with the GEF Trust Fund Agreement for all the three fiscal years ending December 31, 2001, December 31, 2002 and December 31, 2003

Pertaining to the Audit

There were no major issues identified in the audit reports. The only recurrent issue relates to the failure to receive the interest income that was agreed on between the Project and the UNDP during the fiscal years under audit. Further to our comments on the FY2004

audit, we would appreciate being advised by March 31, 2006 whether interest income has subsequently been received from the UNDP.

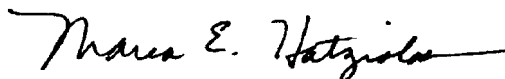
Furthermore, the following two observations were made in the 2001 audit: (i) in processing payments for invoices, the PCU had failed to prepare a summary sheet which could have easily identified the total disbursement request to the corresponding invoices; and (ii) the PCU had also failed to have insurance coverage for the Project's furniture and equipment. While there was a positive indication that insurance policies had been put in place as of April 1, 2002, no further information was provided with respect to the summary sheet. It would have been helpful if the FY2002 audit report had addressed the disposition of this significant observation.

The disclosure of auditing procedures alludes to in-kind counterpart contributions which are only budgetary estimates and which are not recorded in the PCU's accounting records. We would like to be provided, by March 31, 2006 with a schedule of the in-kind counterpart contributions that have been made to the project by year since project inception, showing how they were accounted for, utilized and monitored.

Finally, please note that the Management Letters and several opinions contained in the FY2001 and FY2002 audit reports were not printed on Deloitte and Touche's Letterhead. Perhaps this is due to the fact that audit reports were downloaded from the PCU's website. In light of the circumstances, we are requesting that copies of all three reports, as called for in their respective engagements, be sent to the Bank by March 31, 2006 for its records.

Please advise the auditors of our comments

Sincerely,



Marea Hatzios
Task Team Leader
Environment Department