Annex B – Format for Financial Audit Report[1]

XXXXX opinion

We have audited the accompanying Grant financial statement for the Grant 'XXXXX' ("the Grant") (Grant Number XXX), which is implemented and managed by XXXXX in XXXXX, for the period from DD Month YYYY to DD Month YYYY.

In our opinion, the financial statement gives a true and fair view of, in all material respects, the income and expenditure of the grant 'XXXXX' ("the grant"), for the period from DD Month YYYY until DD Month YYYY in conformity with the terms of the agreements and in accordance with the organisation accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibility for the audit of the grant financial statement' section of this report.

We are independent of UNOPS and the implementing partner (IP) in accordance with the IESBA Code of Ethics for Professional Accountants. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management responsibility for the financial statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with XXX Standards, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the audit of the project financial statement

The objectives of our audit are set out in the terms of reference for the audits of Grants to Implementing Partner of XXXX Fund, and include obtaining reasonable assurance about whether the grant financial statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the project financial statement.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also identify and assess the risks of material misstatement of the project financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Grant financial statement

This is attached as Annex C to this report.

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[1] The relevant format of ISA 700 or ISA 705 should be used depending on the expressed opinion

Report on the status of non-expendable property

We have audited the accompanying statement of non-expendable property of the Grant [*short description*] ……………(Grant Number XXX) of XXXXX as at ……….

In our opinion, the statement of non-expendable property presents fairly, in all material respects, (or gives a true and fair view of) the status of non-expendable property of the grant [name]… (Grant Number XXX) as at …….. in conformity with the terms of the agreements and in accordance with XXXX Accounting Standards and Grant Agreement.

(Name and Signature of auditor)

(Date of the auditor's report)

(Address of the auditor)

IMPLEMENTING PARTNER OF UNITED NATIONS OFFICE FOR PROJECT SERVICES

<Short Description of the Grant>******************** GSA Reference Number
****

Responsibility Statement by Management

The (insert name of the Implementing Partner) management is responsible for the preparation, integrity and fair presentation of the Financial/Income/Income-Expenditure Statements*(reference, if any, such as set out on page/Annex **) of the ******** <Grant Number> ********************** <Short Description of the Grant>. The Statement presented in (reference, if any, such as set out on page/Annex **)* has been prepared in accordance with the (reference, any grant specific agreement) and the requirements of the applicable (Implementing Partner's Name) regulations and rules.

We do hereby state that, in our opinion:

Financial Statement

The Financial Statement as reported (reference, if any, such as set out on page/Annex **)*, presents fairly in all material aspects, the expenditure of US$ ********** incurred by the (insert name of the Implementing Partner) for the period <Start date: DD MMM YYYY> to <END date: DD MMM YYYY> in accordance with the accounting policies set out in the Notes to the Statement and in conformity with approved activities and budgets of Grant Number. ******** <Short Description of the Grant>.

Statement of Inventory of Non-Expendable Equipment

The Statement of Non-Expendable Equipment (reference, if any, such as set out on page/Annex **)* presents fairly, in all material respects, the Non-Expendable Equipment balance procured during the period from <Start date: DD MMM YYYY> to <END date: DD MMM YYYY> of the grant amounting to US$ *********** in accordance with the Non-Expendable Inventory listing certified by (name of implementing partner) management.

(Signature)
_____

Name:
Implementing Partner Finance Officer / Director *

Region:

Place:

Date: *Please strike off, whichever is not applicable

Annex D: Format for Internal audit report

AUDIT

OF

Implementing Partner NAME
(Grant Number : xxx)x

Issue Date: xxxxxxx

Table of Contents

I. Executive Summary

From **<first day of fieldwork>** to **<last day of fieldwork>, <complete name of audit firm>** (the audit firm), conducted an audit of **<Grant Description>,** *(Grant Number)* (the Grant)*,* which is implemented and managed by **<complete implementing partner name>**. The audit firm was in conformance with the *International Standards for the Professional Practice of Internal Auditing.*

The Implementing Partner (IP) reported expenditure amounting to USD**<rounded-off amount>** during the period from **<first day of audit cut-off date>** to **<last day of audit cut-off date>.** *.*

Audit scope and objectives

The audit firm conducted a combined financial audit and audit of internal controls and systems to express an opinion on whether the financial statements present fairly, in all material aspects, the results of the Project's operations, as well as assess compliance with the IPs regulations, rules, policies and procedures and legal agreements. The audit covered the review of the Project's Statement of Expenditure for the above mentioned period and Statement of Non-Expendable Property. It also reviewed the relevant systems, procedures and practices in place as they relate to the Project, in the areas of: project management, finance, human resources management, procurement and supply chain, general administration (including asset management), and ICT system.
<<IF APPLICABLE: Scope limitation: In view of **<reason/s>,** the audit did not cover the following areas: *[enumerate].>>*

Audit rating

Based on the audit report and corresponding management letter the audit firm assessed the management of the Grant as **<audit rating>** *[in bold, small letters>*, which means **"<full definition>***"*. The details of the audit results are presented in Table 1 and 2.

Table 1: Summary results of the financial audit

Period	Project no.	Project Expenditure		Project Assets		Overall rating on internal controls
		Amount (in USD)	Opinion	Amount (in USD)	Opinion	

<<IF APPLICABLE: The audit firm qualified its opinion on [*specify: project expenditure or project assets]* due to **<reason/s>.***>>*

<<IF APPLICABLE> The audit firm issued a disclaimer on *[specify: project expenditure or project assets]* due to **<reason/s>.***>>*

Table 2: Internal controls ratings summary for (name of Implementing Partner)

RATING SUMMARY BY FUNCTIONAL AREA		
Functional area	**Rating**	
Grant management	Satisfactory/Partially Satisfactory (Some Improvement Needed) /Partially Satisfactory (Major Improvement Needed/Unsatisfactory (Ineffective) *<<delete as applicable>>*	*<<delete as applicable>>*
Finance	Satisfactory/Partially Satisfactory (Some Improvement Needed) /Partially Satisfactory (Major Improvement Needed/Unsatisfactory (Ineffective) *<<delete as applicable>>*	*<<delete as applicable>>*
Procurement and supply chain	Satisfactory/Partially Satisfactory (Some Improvement Needed) /Partially Satisfactory (Major Improvement Needed/Unsatisfactory (Ineffective) *<<delete as applicable>>*	*<<delete as applicable>>*
Human resources	Satisfactory/Partially Satisfactory (Some Improvement Needed) /Partially Satisfactory (Major Improvement Needed/Unsatisfactory (Ineffective) *<<delete as applicable>>*	*<<delete as applicable>>*
Asset Management	Satisfactory/Partially Satisfactory (Some Improvement Needed) /Partially Satisfactory (Major Improvement Needed/Unsatisfactory (Ineffective) *<<delete as applicable>>*	*<<delete as applicable>>*
ICT system	Satisfactory/Partially Satisfactory (Some Improvement Needed) /Partially Satisfactory (Major Improvement Needed/Unsatisfactory (Ineffective) *<<delete as applicable>>*	*<<delete as applicable>>*
General administration	Satisfactory/Partially Satisfactory (Some Improvement Needed) /Partially Satisfactory (Major Improvement Needed/Unsatisfactory (Ineffective) *<<delete as applicable>>*	*<<delete as applicable>>*
Status of previous recommendations	Satisfactory/Partially Satisfactory (Some Improvement Needed) /Partially Satisfactory (Major Improvement Needed/Unsatisfactory (Ineffective) *<<delete as applicable>>*	*<<delete as applicable>>*
Overall rating of Internal control	Satisfactory/Partially Satisfactory (Some Improvement Needed) /Partially Satisfactory (Major Improvement Needed/Unsatisfactory (Ineffective) *<<delete as applicable>>*	*<<delete as applicable>>*

Key issue/s and recommendation/s

Among the **<total number>** issues,**<number>** was/were noted to be caused by factors beyond the control of the implementing partner (Issue **<#>**) and **number** require/s action by **<HQ>** (Issue **<#>**). *[Adjust statement accordingly. If nothing for both, start the para with:* The audit raised **<total number>** issues.] There are **<total number>** recommendations, of which **<number>** (**<#>** percent) were ranked high (critical) priority, meaning "Prompt action is required to ensure that the implementing partner is not exposed to high risks. Failure to take action could result in major negative consequences for the implementing partner and may affect the organization at the global level." *[If there is no high priority issue, state:* There was **<total number>** recommendations, all were ranked medium (important) priority, which means "Action is required to ensure that the implementing partner is not exposed to significant risks. Failure to take action could result in negative consequences for the implementing partner." Medium (important) priority recommendations include actions to address *[briefly describe the more significant issues; suggestion: use the issue title].*

[Present the high priority issues in sequential order (i.e., as presented in the report), in 2-column format. Remove borders once done. If there is no high priority issue, delete table completely.]

<u>**Audit area**</u> (Issue **<#>**)	<<IF APPLICABLE, PRECEDE TITLE WITH: <u>Corporate Issue:</u>>> **<u>Issue title</u>**. *[title immediately followed by summarized observation and end with recommendation that starts with* " The audit firm recommends that…".
	[Add/delete rows, as needed. After filling this up, remove the borders.]

Management's comments

The **<position title of head of office concerned>** <<IF APPLICABLE, INSERT and **<position title>** of the **<HQ concerned>**>> accepted <<all the / **<number>** of the>> **<total number>** recommendations and <<is/are>> in the process of implementing them. <<IF APPLICABLE, INSERT: **<Number>** recommendation/s <<was/were>> not agreed on and the **<position title of the HQ office with oversight responsibility over the Office**> accepted the risk of not taking action on the issue identified by IAIG.>>

II.   Audit Objectives, Scope and Operational Overview

2.1 Audit Objectives and Scope

The overall objectives and scope of the audit are shown below.

2.1.1 Audit objectives:

[text]

2.1.2 Audit scope:

[text]

2.2 Operational Overview

Here provide a brief background of the project, including, inter alia, project budget, expenditure, staffing, and key financial indicators.

The audit team extends its appreciation to the management and staff members of the IP office in XXX project for their full cooperation during the audit.

III.   Detailed Assessment

The details of the audit findings are as follows

#	Observation	Recommendation (number and content of recommendation)	Management comment and Action Plan	Responsible Manager/ Due Date/ Priority
NCTIONAL AREA: xxxxx				
1	**Title** **Comparison Criteria** **Facts/Observation** **Impact:** **Cause**:	xxxxxxx		**Responsible Manager:** **Due Date:** **Priority:**
2				
3				

Annex 1 – Definitions of Standard Audit Ratings, Priorities, Causes and Functional Areas for Management Report

A. Audit ratings

The following are the definitions of the audit ratings::

- **Satisfactory (Effective)**: The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.

- **Partially Satisfactory (Some Improvement Needed)**: The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.

- **Partially Satisfactory (Major Improvement Needed)**: The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.

- **Unsatisfactory (Ineffective)**: The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity.

B. Priorities of audit recommendations

The audit recommendations are categorised according to priority, as a further guide to management in addressing the issues in a timely manner. The following categories of priorities are used:

- **High**: Prompt action is required to ensure that the organization is not exposed to high risks. Failure to take action could result in major negative consequences for the organization.

- **Medium**: Action required to ensure that the organization is not exposed to risks. Failure to take action could result in negative consequences for the organization.

- **Low**: Action is desirable and should result in enhanced control or better value for money. Low Priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.

C. **Possible causes**

The following categories of **possible causes** are used (please indicate the main category and the sub-category)

- **Guidelines**: absence of written procedures to guide staff in performing their functions;
    - Lack of or inadequate corporate policies or procedures
    - Lack of or inadequate IP (specify) policies or procedures
    - Inadequate planning
    - Inadequate risk management processes
    - Inadequate management structure

- **Guidance**: inadequate or lack of supervision by supervisors;
    - Lack of or inadequate guidance or supervision at the IP (specify) level
    - Inadequate oversight by the Senior Management Team

- **Resources**: insufficient resources (funds, skill, staff) to carry out an activity or function;
    - Lack of or insufficient resources (specify: financial, human, or technical resources)
    - Inadequate training

- **Human error**: Un-intentional mistakes committed by staff entrusted to perform assigned functions;
- **Intentional:** intentional overriding of internal controls;
- **Other**: Factors beyond the control of the IP

D. **List of functional areas**

The following categories of **functional areas** are used:

- Project Management
- Finance
- Human Resources
- Procurement and supply chain
- General Administration (which includes Asset Management)
- Information and communications technology

Supplementary details

Financial reports to be prepared by IP and Required Audit reports

Documents for audit and facilities

1.   The auditor will have access to all books and records pertaining to the grants including the following:

- The IPs grant financial statements

- Agreements of IPs with UNOPS.

- Main supporting schedules to the financial statements including: income and expenditure, assets and liabilities, cash records

- Monthly or quarterly grant activity reports (programmatic as well as financial);

- General ledger, cash book, other important books and records;

- Original supporting documentation to all reported expenditures

- Bank statements

- Important correspondence between the IPs and UNOPS as applicable, pertaining to grant implementation matters

- Financial procedures manuals, systems, descriptions or any other documentation explaining the process contributing to the production of reliable financial reports and maintaining internal control;

- Minutes of management meetings

Internal audit reports relevant to the grant expenditures or any systems, governance or other issue which impinges on the grants.

The audit team is requested to provide the required document list to IPs three weeks in advance from the date of the confirmed audit schedule.

Responsibility for the preparation of the /IP Financial Statement

2.   The responsibility for the preparation of the financial statement for each IPs lies with the IPs in line with respective IPs rules as delegated by UNOPS.

3.   The IPs will prepare the statements in accordance with internationally accepted accounting standards.

IP Financial Statements

4. The financial statements should include:

a)   A statement of Financial Performance/ Income and Expenditure Statement, showing the Fund Manager funds received,

b)   A statement of budget Vs Actual Expenditures by IP, preferably shown by expenditure categories in the budgets.

c)   A note, statement or annex providing a comprehensive list of all fixed assets/non-expendable property purchased by date, with original values and the current condition and location of the

assets and the current quantity and location of all major health products (if applicable) as at the reporting date.

Management Letter

5. In addition to the audit report, the auditors will prepare a management letter in which they shall:

   a) Set out any instances of non-compliance with the Grant agreement that were noted by the auditors in the course of their work to form an opinion on the financial statement;

   b) Provide a schedule of ineligible expenditures identified by the auditors in the course of their work;

   c) Comment on the adequacy of the accounting records, procedures, systems and controls that were examined during the course of the audit with particular reference to the observed instances of non-compliance and ineligible expenditures;

   d) Provide recommendations to address the observed deficiencies and areas of weakness in systems and controls which may be effected promptly;

   e) Communicate matters that have come to their attention during the audit which might have a significant impact on the implementation and sustainability of the grant;

   f) Report on the implementation status of recommendations contained in previous audit reports, including those of donor representatives.

   g) Include responses made by the IP in discussing audit recommendations, along with a timeline for implementing agreed recommendations. In cases where either the IP does not accept an audit finding or the auditor disagrees with the adequacy of the management response, the management report will acknowledge that disagreement. All observations and recommendations will be discussed with the IP and Fund Manager before the letter is finalised.

6. If there are confidentiality requirements by the donor, it must be clearly noted on the face of the Management Letter that it is a confidential document and must be treated as such, in accordance with the donor's policy on documents.

7. In line with no. 24 above, the Management Letter should state that the auditor acknowledges and agrees that the Management Letter shall be shared with donors and their representatives on a confidential basis.

8. In reference with the agreement signed between the Fund Manager and IP, the report should cover control issues around the following areas:

   - Project/ Programme management
   - Finance
   - Human Resources
   - Procurement and Supply Chain Management
   - Asset Management
   - General Administration
   - ICT system
   - Status of previous recommendations

Note: in case of inconsistency between the main ToR and this Supplementary details, the latter prevails.