



Audit protocol for audit and assurance engagements

Appendix to the grant award pertaining to grants under the Public-Private Partnership Programme ('PPP'), i.e.: the Sustainable Water Fund Grant Programme ('FDW'), the Sustainable Entrepreneurship and Food Security Fund Grant Programme ('FDOV') and the Ghana WASH Window from the Sustainable Water Fund Grant Programme ('GWW-FDW').

1. Introduction

This protocol must be followed in auditing the financial statements prepared in relation to the grant awarded under the grant decision within any of the above mentioned Public-Private Partnership - Grant Programmes. The grant decision specifies whether the audit should be conducted annually or for the entire duration of the project.

This audit protocol sets out the applicable audit principles and requirements and explains in which way the audit findings must be reported.

The external auditor is to be engaged by the grant recipient i.e. the Lead Partner. The Minister for Foreign Trade and Development Cooperation may request that a review be conducted to ascertain that the auditor has complied with the audit protocol. This will be done in consultation.

2. Audit subject and standards

The audit subjects are:

The financial statements on the total subsidised project, thus including own contribution(s), over the subsidy recipient's accountability period. As stated in the grant decision, the accountability period may cover the entire project period or one year within that period.

The following standards apply to the grant:

The grant decision pertaining to the grant including any amendment made to this decision as well as the therein mentioned legislation and related appendices.

The following applicable legal and regulatory framework provides further information on these standards:

- a) Ministry of Foreign Affairs Grants Decree ('Subsidiebesluit Ministerie van Buitenlandse Zaken');
- b) Ministry of Foreign Affairs Grants Regulations ('Subsidieregeling Ministerie van Buitenlandse Zaken');
- c) The applicable Public-Private Partnership Grant Programme as laid down in the various Policy Frameworks and Application Forms, i.e. the Sustainable Water Fund Grant Programme, the Sustainable Entrepreneurship and Food Security Fund Grant Programme or the Ghana WASH Window from the Sustainable Water Fund Grant Programme;
- d) General Administrative Law Act ('Algemene Wet Bestuursrecht');
- e) EU Directives;
- f) Partnership Agreement.

Documents in respect of the regulations mentioned under a, b, c and d are available on www.rijksoverheid.nl. Regulation a, b and c can also be found on the website of RVO.nl. The EU Directives ('e') can be found on <http://eur-lex.europa.eu/homepage.html> (see Section 3 below part 6c). The Partnership Agreement ('f') is held by the Lead Partner, i.e. the grant recipient.



3. Engagements of the auditor

Auditing financial statements

The audit must be conducted in accordance with generally accepted auditing standards and in particular the auditing standards (*International Standards on Auditing*; ISAs) of the International Auditing and Assurance Standards Board (IAASB).

The auditor must audit the financial statements in order to establish that they meet the requirements laid down in Section 2 of this protocol. The auditor will ascertain that:

1. Expenditures and receipts are accurate and complete;
2. The grant recipient has reported on all income, including grants, that co-finances the activity to which the grant relates;
3. Expenditures and receipts relate to the activities referred to in Section 1 of this protocol;
4. The project has been finalised in accordance with the project plan to which the decision awarding the grant relates;
5. The expenditures and receipts statement:
 - a. does not include any costs as eligible for a grant that are not eligible on the basis of decision awarding the grant and the applicable legal and regulatory framework;
 - b. only includes costs as eligible for a grant that are actually payable by the grant recipient.
6. Expenditures are legitimate and comply with the criteria laid down in points a to e stated below. The auditor must establish that:
 - a. expenditures are corroborated by supporting documents;
 - b. the organisation keeps project records and timesheets; the information in the project records and timesheets corresponds with the information in the financial administration;
 - c. suppliers were selected objectively and threshold amounts were respected in accordance with the EU public procurement rules laid down in EU Directives, or – in case EU rules do not apply -, local public procurement legislation. The EU Directives can be found on <http://eur-lex.europa.eu/homepage.html>;
 - d. tax and social insurance remittances have been made in accordance with the tax laws of the country where the organisation is established and for the period to which the audit opinion relates;
 - e. invoices are settled on the basis of actual costs or lump sum amounts set in accordance with the organisation's internal policies.
7. All own contribution requirements by Partnership Partners are met in accordance with the grant decision pertaining to the grant including any amendment made to this decision.

Materiality: desired assurance and materiality levels/permitted tolerances

The minimum reliability level for audit purposes is 95%. The auditor will accordingly plan and conduct the audit to obtain reasonable assurance that the accounts contain no material misstatements or uncertainties.

Given the abovementioned level of reliability, the type of audit opinion will be determined by the following materiality levels, based on the amount funded, i.e. the grant amount.

The amount funded (= grant amount) is less than €1.5 million:

Type of audit opinion	Unqualified	Qualified	Disclaimer	Adverse
Accounting errors	≤ 3%	> 3% and ≤ 6%	N/A	> 6%
Audit uncertainties	≤ 3%	> 3% and ≤ 10%	> 10%	N/A

**The amount funded (= grant amount) is greater than or equal to €1.5 million but less than €5 million:**

Type of audit opinion	Unqualified	Qualified	Disclaimer	Adverse
Accounting errors	≤ €50,000	> €50,000 and ≤ 6%	N/A	> 6%
Audit uncertainties	≤ €50,000	> €50,000 and ≤10%	> 10%	N/A

The amount funded (= grant amount) is greater than or equal to €5 million:

Type of audit opinion	Unqualified	Qualified	Disclaimer	Adverse
Accounting errors	≤ 1%	> 1% and ≤ 6%	N/A	> 6%
Audit uncertainties	≤ 1%	> 1% and ≤10%	> 10%	N/A

The audit opinion must be drawn up in accordance with the model in Section 4 of this protocol.

Supplementary activities to the audit of financial statements

The auditor must establish that management specifically confirms in the letter of representation that they have complied with the applicable article of the grant decision for their subsidy project with the following content: 'The grant recipient must not offer to third parties or seek or accept from or be promised by third parties, for itself or for any other party, any gift, remuneration, compensation or benefit of any kind whatsoever, if this could be interpreted as an illegal or corrupt practice.'

The auditor will not give an opinion on the narrative part of the report but will carry out a limited review to establish that the narrative and financial sections of the report agree with each other and contain no contradictions.

The auditor must report any information that came to his notice during the audit, which is relevant to the grant provider for the final determination of the grant. Findings relating to the requirements referred to in this section may be relevant to the grant provider.

4. Reporting

The auditor must in any event issue an audit opinion on the activities described in Section 3 in accordance with the model set out in this Section 4.

Auditor's report on financial statements

The auditor's report must in any event include the audit's objective and scope, the applicable audit criteria in so far as relevant and any limitation of scope.

An unqualified auditor's report must be worded as follows or in accordance with a more recent model text as published on the IAASB website:



The example text below applies to auditor's reports on financial statements

INDEPENDENT AUDITOR'S REPORT

To: Appropriate addressee

Our opinion

We have audited the accompanying financial statements for grant decision and pertaining amendments..... (description / reference), dated XX-XX-20XX, of ... (name of entity), ... (place of registered office) for (period/year).

In our opinion, the financial statements for the grant decision and pertaining amendments of (name of entity) for the year 20XX / period (date) until(date) 20XX were prepared, in all material respects, in accordance with the requirements laid down in the grant decision and pertaining amendments..... (description / reference) dated XX-XX-20XX, the applicable Public-Private Partnership Programme, i.e. the Sustainable Water Fund Grant Programme / the Sustainable Entrepreneurship and Food Security Fund Grant Programme / the Ghana WASH Window from the Sustainable Water Fund Grant Programme (please choose the applicable programme) and its legal and regulatory frame work.

Basis for Opinion

We conducted our audit in accordance with the law of the country of statutory residence of the Lead Partner of the Partnership, International Standards on Auditing (ISAs) of the IAASB and the Audit protocol for Audit and Assurance engagements of the Dutch Ministry of Foreign Affairs pertaining to the Public-Private Partnership Programme, in the present case the Sustainable Water Fund Grant Programme / the Sustainable Entrepreneurship and Food Security Fund Grant Programme / the Ghana WASH Window from the Sustainable Water Fund Grant Programme (please choose the applicable programme), specifically Sections 2 and 3. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company/Organisation (name of entity) in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the country where (name of Lead Partner entity) holds statutory residence, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other information

In addition to the financial statements the (final) report comprises other information, consisting of:

- the narrative part of the report and;
- letter of representation. In this letter of representation management specifically has confirmed that they have not offer to third parties or seek or accept from or be promised by third parties, for itself or for any other party, any gift, remuneration, compensation of any kind whatsoever, if this could be interpreted as an illegal of corrupt practice.

Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements.



We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of the International Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management¹ is responsible for the preparation of the other information.

Emphasis of the basis of accounting and restriction on use and distribution

We draw attention to note..... to the financial statements, which describes the basis of accounting. The financial statements are intended for(*name of grant recipient/Lead Partner*) and the Dutch Ministry of Foreign Affairs and are prepared to assist (*name of grant recipient/Lead Partner*) to comply with the reporting requirements under grant decision(*description / reference*) dated XX-XX-20XX. As a result, the financial statements may not be suitable for another purpose. Therefore, our auditor's report is intended solely for(*name of grant recipient/Lead Partner*) and the Dutch Ministry of Foreign Affairs and should not be distributed to or used by other parties.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance² for the financial statements

Management³ is responsible for the preparation and fair presentation of the financial statements in accordance with the conditions laid down in the grant decision and pertaining amendments(*description / reference*) dated XX-XX-20XX, the applicable Public-Private Partnership Programme, i.e. the Sustainable Water Fund Grant Programme / the Sustainable Entrepreneurship and Food Security Fund Grant Programme / the Ghana WASH Window from the Sustainable Water Fund Grant Programme (*please choose the applicable programme*) and its legal and regulatory frame work.

Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the company's financial reporting process.⁴

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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 economic decisions of users taken

¹ or other body such as 'the foundation's board' or 'the company's executive board'.

² Amend where necessary or lacking: the terms Management and Those Charged with Governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

³ or other body such as 'the foundation's board' or 'the company's executive board'.

⁴ Amend where necessary or lacking: Those Charged with Governance.



on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with International Standards on Auditing (ISA) and the Audit protocol for Audit and Assurance engagements of the Dutch Ministry of Foreign Affairs pertaining to the Public-Private Partnership Programme, in the present case the Sustainable Water Fund Grant Programme / the Sustainable Entrepreneurship and Food Security Fund Grant Programme / the Ghana WASH Window from the Sustainable Water Fund Grant Programme (*please choose the applicable programme*), specifically Sections 2 and 3, ethical requirements and independence requirements.

Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of accounting policies used and evaluating the reasonableness of accounting estimates and related disclosures made by management;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

..... (*Place and Date*)

.....(*Name of the audit firm*)

..... (*Signature in name of the audit firm*)

..... (*The personal name of the auditor*)

..... (*Address of the audit firm*)