



## **Audit protocol for the Sustainable Developments Goals Partnership Facility (SDGP)**

### **1. Introduction**

#### **1.1 SDGP goal and design**

We base our decision to award a grant on the SDGP policy framework. The SDG Partnership facility (SDGP) of the Ministry of Foreign Affairs contributes to the implementation of the agenda for aid, trade and investment. SDGP also aims to achieve several Sustainable Development Goals (SDGs):

SDG 2: ending hunger,  
SDG 8: decent jobs and economic growth, and  
SDG 17: partnerships for the goals.

Its secondary focus is on  
SDG 5: gender equality,  
SDG 12: responsible consumption and production, and  
SDG 13: climate action.

Problems relating to food security and private sector development are complex and often involve wide-ranging interests. As a result, single parties cannot develop or fund solutions to solve these problems. Partnerships between businesses, governments, NGOs and knowledge institutes can find innovative and sustainable solutions to development-related problems. SDGP encourages public-private partnerships (PPPs). Also, SDGP offers Dutch businesses opportunities to work with new partners.

References in this protocol to the lead partner refer to the organisation named as the lead partner in the grant decision. References to consortium partners refer to the lead partner and its fellow grant applicants.

#### **1.2 Legal framework**

The legal framework that applies to the SDGP policy framework is:

The decision to award a grant for the SDGP policy framework, including annexes.

The following documents give more information on this framework:

- a) Order of the Minister for Foreign Trade and Development Cooperation of 11 June 2018, no. Min-BuZa.2018.1211-42;
- b) Policy for the SDG Partnership Facility (SDGP), no. AVT18/BZ126202A;
- c) General Administrative Law Act (in Dutch: "Algemene Wet Bestuursrecht");
- d) EU Directives;
- e) Partnership agreements.

Documents on the regulations mentioned under a, b and c are available in Dutch on [www.rijksoverheid.nl](http://www.rijksoverheid.nl). You can also find regulations a and b on [www.english.rvo.nl](http://www.english.rvo.nl).

For the EU Directives (d), see <http://eur-lex.europa.eu/homepage.html>.

The Lead Partner holds the Partnership agreement or agreements (f).

#### **Review policy**

The external auditor is to be engaged by the lead partner for example the Lead Partner. The minister of Foreign Trade and Development Cooperation may request a review to find out whether the auditor has complied with the audit protocol. The Minister will consult the Internal Auditors of the Netherlands Enterprise Agency for the review.

#### **1.3 Purpose of the audit protocol**

This audit protocol sets out the audit principles and requirements. Also, it explains how to report the audit findings.

The auditor is engaged by the lead partner. The minister may request a review, in mutual consultation, to find out whether the lead partner's auditor has complied with this protocol.

#### **1.4 Document structure**

This audit protocol has several chapters:

- Chapter 2: the audit of the financial report of the consortium as a whole;
- Chapter 3: the audit of the financial reports of each consortium partner;

- Chapter 4: the accompanying agreed-upon procedures (resulting in a report of factual findings) of consolidated financial reports for the consortium as a whole drawn up by the lead partner. This chapter only applies to the lead partner's auditor. The other chapters apply to the auditors of all consortium partners.

## 1.5 Accountability

We award the SDGP grant to an organisation acting as the lead partner of a consortium. We will distribute the grant to the individual consortium members in relation to the project costs. Individual consortium members include the lead partner. In this respect, we regard the lead partner as a consortium member.

### 1.5.1 Two audit options

The lead partner has 2 options to consult with the auditor:

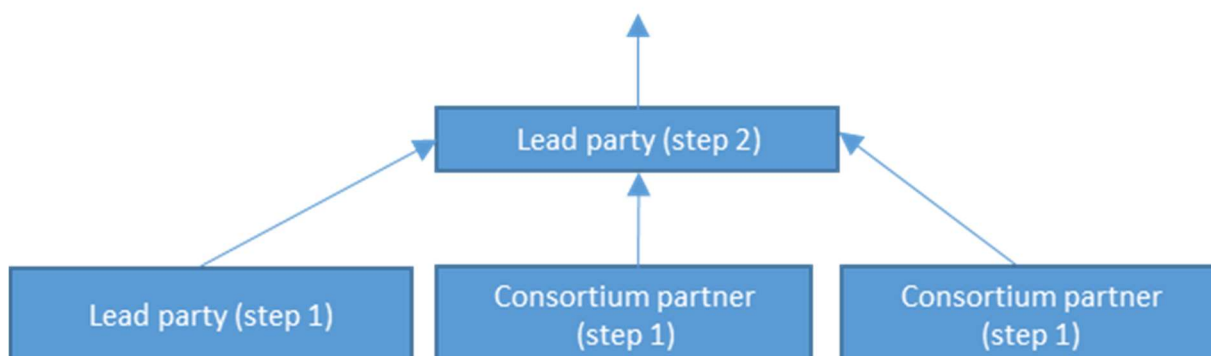
#### Option A

The financial report for the entire project grant amount is subject to an ISA 800/805 audit of the financial statements (Chapter 2);

#### Option B

- The individual financial reports of the consortium partners are subject to an ISA 800/805 audit.
- The overall audit reports and consolidated project financial statements are subject to ISRS 4400. The lead auditor does not have to conduct an on-site review for the individual consortium partners.

Please, follow the reporting structure below:



Step	Type of report partner	Type of audit report	Relevant audit protocol chapter
1	Individual financial reports of the consortium partners, including the lead partner	ISA 800/805 financial statements	Chapter 3
2	Financial report for the entire grant amount	ISRS 4400 report for the consortium as a whole	Chapter 4

### 1.5.2 Quantity and timing

The number of audits performed depend on the total grant amount. The timing of the audit depends on the distribution of the costs throughout the project. The decision to grant subsidy includes the number of audits and timing. In general, the following scheme applies. In specific situations, Netherlands Enterprise Agency may not follow the scheme. Without exception, all audits are subject to this underlying protocol.

Subsidy amount in euros	Number of audit reports during implementation, including inception and final audit report
500,000 - 1,500,000	2
1,500,000 - 2,500,000	3
2,500,000 - 3,000,000	4

## 2. Audit of financial statement for the entire grant amount (Option A)

### 2.1 Introduction

This section considers the audit of financial statements prepared about the grant awarded. The activities consist of an audit of the overall consortium financial report (sections 2.3 and 2.4).

The activities referred to in section 2.4 result in an audit opinion on the total project financial report following ISA 800/805 and the associated audit report prepared following the model in annex A of this protocol. The lead partner submits the audit report to the Netherlands Enterprise Agency.

## 2.2 Goal and scope of the audit

The auditor checks whether the transactions recognised in the total project financial statement follow the legal framework in section 1.2. The auditor carries out its activities following this protocol and the relevant International Standards on Auditing (ISA).

The audit subject is the total financial report of the entire consortium, including own contribution(s) for the period being audited, and including the processes and accounting records underlying the financial report when relevant.

The period of the audit depends on the number of audits performed during the project period. The entire project period applies to the audit of the final report. Evidence from earlier audits may be incorporated in the overall opinion.

## 2.3 Audit approach in respect of the financial report (ISA 800/805)

You must carry out the audit following the legal framework, this protocol and applicable international auditing standards.

The minimum reliability level for audit purposes is 95%. The type of opinion is determined by the following levels, based on the amount funded.

### The amount funded or grant amount is less than €1.5 million.

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

### The amount funded or grant amount is greater than or equal to €1.5 million and less than or equal to €3 million (the maximum amount granted).

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

The auditor calculates materiality for a multi-year activity on an annual basis. The table above shows the calculation of the permitted tolerance for the amount funded.

The auditor draws up its opinion following the requirements set in this protocol. If the auditor detects both accounting errors and audit uncertainties, the auditor will take both into account when forming their opinion.

When expressing an audit opinion, the auditor must provide a report following the model in annex A of this protocol. The auditor report is an exception report. The findings reported in it need not automatically have consequences for the type of audit opinion. When expressing an opinion other than unqualified, the auditor also explains in the model submitted in Annex B.

## 2.4 Design and functioning of the administrative organisation and internal control system

In the audit report, the auditor will elaborate on the findings of the design and functioning of the administrative organisation and Internal Control (AO/IC) system. The auditor will report more specifically on:

- the authorisation and administrative processing of outgoing payments and incoming receivables;
- the authorisation of the timesheets from all consortium partners;
- the calculation method used for the hourly tariffs. Also, if they are following the prescribed calculation method (in Dutch: "loonkostensystematiek") described in the grant decision;
- the allocation of direct and indirect programme costs;
- compliance with European Union and other public procurement rules;
- the extent to which accounting processes record the financial information following the reporting system that applies to the entity.

### Letter of Representation (LOR)

The auditor must ask for a letter of representation (LOR) from the lead partner's management. This letter must state, to the best of their knowledge, that:

- the financial statements encompass all transactions and receipts,
- the financial statements are accurate and complete in every respect, and

- all grant conditions, including those beyond the scope of the audit, have been met.
- In the letter of representation, management must confirm that they have followed the applicable article of the grant decision for their subsidy project. This states: "The lead partner must not offer to third parties or seek or accept from or be promised by third parties, for itself or any other party, any gift, remuneration, compensation or benefit of any kind whatsoever, if this could be interpreted as a corrupt or illegal practice."

If the consortium partner's management refuses to include this statement in the letter of representation and/or refuses to issue a letter of representation, under article 19 of ISA 580, the auditor must make a note to this effect in the audit report referred to in section 2.1 and drawn up following the model in annex A of this protocol.

Following ISA 720 (the auditor's responsibility for other information), the auditor must check whether the narrative section is compatible with the financial reports and contains no material discrepancies.

The auditor reports on the above findings following the model in Annex B of this protocol.

### **3. Audit of the individual financial statements of the consortium members (Option B, step 1)**

The individual consortium partners make individual financial reports. The lead partner also makes a financial report in its capacity as a consortium member. The conditions set out in chapter 2 also apply to the audit of the financial statements of the individual consortium partners.

The consortium partners must provide the following documents to the lead partner:

- Individual financial reports. The model of the financial report can be prescribed by the lead partner to merge the financial report subject to the ISRS 4400 agreed-upon procedure.
- The audit opinions (ISA 800/805) on each consortium partner's financial report.

## **4. Activities for the lead partner's consolidated financial report (Option B, step 2)**

### **4.1 Introduction**

This section describes the audit of the lead partner's SDGP policy framework report. This report consolidates the individual financial reports of all consortium partners.

The lead partner combines the individual financial reports prepared by the consortium partners into a single consolidated financial report for the consortium as a whole. The lead partner must audit the consolidated financial report of the consortium as a whole following ISRS 4400.

### **4.2 Lead partner's SDGP framework report (ISRS 4400)**

The lead partner's auditor is responsible for the report of factual findings on the consolidated financial report of the consortium as a whole. The lead partner must carry out this engagement following ISRS 4400 as follows.

In an ISRS 4400 engagement, the auditor does not provide assurance but reports its audit findings. This protocol describes the areas to be covered. Users of the report must form their opinions and draw their conclusions. The auditor must agree on the nature, timing and scope of the specific activities with the contracting authority. The auditor also discloses the findings in its report (see ISRS 4400). The auditor's activities and their scope must be clearly understood. The auditor is not expected to express an opinion on the adequacy and suitability of the activities performed, why they were performed or for any other reason.

Activities the auditor must carry out:

- The auditor must check whether audit opinions prepared following ISA 800/805 were issued on the information underlying the SDGP policy framework report, that is the financial reports of all individual consortium partners.
- The auditor must check the nature of these audit opinions. If an unqualified opinion has not been expressed, this must be mentioned in the report of findings, stating:
  - the name of the consortium partner in question;
  - the nature of the opinion;
  - the verbatim text of the audit opinion explaining why an unqualified opinion could not be expressed;
  - where applicable, the place in the SDGP policy framework report of the consortium as a whole where the item(s) can be found that prevented the auditor from expressing an unqualified opinion.

The auditor must check that the lead partner has correctly and completely combined the financial reports of all individual consortium partners into the consolidated financial report and that the lead

partner has explained any discrepancies<sup>1</sup> between the consortium partners' financial reports and the consolidated financial report. If the auditor believes that the lead partner's consolidated financial report or explanatory notes are incorrect or incomplete, it must make recommendations for improvement. If the lead partner does not implement the recommendations, the auditor must state so in its report of findings.

#### **4.3 Report on the lead partner's SDGP policy framework report**

##### **4.3.1 Report of factual findings (ISRS 4400)**

The report of factual findings comprises the elements required under ISRS 4400, describes the activities and findings of the aspects referred to in section 4.2 of this protocol.

##### **4.3.2 Model text**

The auditor must use the model text published in Annex C of this protocol.

---

<sup>1</sup> Discrepancies are differences between the individual consortium partners' financial reports and the consolidated financial report, resulting from numerical adjustments in the current reporting period, numerical adjustments in prior reporting periods, differences in classification (for example, recognising costs under a different heading), and so on.

## **ANNEX A – Model text Audit Report**

The example text below applies to the auditor's report 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 accompanying financial statements for the grant decision and pertaining amendments of (name of entity) as of ... [date] until ...[date] are prepared, in all material respects, following the requirements laid down in the grant decision and pertaining amendments..... (description/reference) dated XX-XX-20XX, the Sustainable Development Goals Programme, and its legal and regulatory framework.

#### **The basis for our opinion**

We conducted our audit following the law of the country of statutory residence of the consortium 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 about the Sustainable Development Goals Program. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements section of our report.

We are independent of ... (name entity) following 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 following these requirements and the IESBA Code.

We believe 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 and our auditor's report thereon, the annual report contains other information that consists of:

- the narrative part of the report and;
- the Letter of Representation. In this Letter of Representation management specifically has confirmed that they have not offered to third parties or seek or accept from or be promised by third parties, for itself or any other party, any gift, remuneration, compensation of any kind whatsoever, if this could be interpreted as an illegal or 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 or otherwise, we have considered whether the other information contains material misstatements.

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

Management is responsible for the preparation of the other information.

### **Emphasis based on 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/consortium partner) and the Dutch Ministry of Foreign Affairs and are prepared to assist ... (Name of Grant recipient/Lead partner/consortium 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 lead partner/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 for the financial statements**

Management is responsible for the preparation of financial statements following the conditions laid down in the grant decision and pertaining amendments, the Sustainable Development Goals Program, and its legal and regulatory framework. Management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### **Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit engagement 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 based on 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 International Standards on Auditing (ISA) and the Audit protocol for Audit and Assurance engagements of the Dutch Ministry of Foreign Affairs on to the Sustainable Development Goals Programme.

Our audit included among others:

- 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 to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the entity's internal control;
- evaluating the appropriateness of accounting policies used and 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

---

Address of the audit firm

---

---

---

The personal name of the auditor

---

Signature in name of the audit firm

---



**ANNEX B – Model audit report**

About the audit opinion on the individual financial reports drawn up following ISA 800/805

**Subject:** Audit report on the individual financial report of [name of consortium partner] for [name of the programme for which a grant has been received], for which [name of the lead partner] is the lead partner, as required under the SDGP Audit Protocol, specifically section 2.4.

**The reference period of the report audited:** [start date]-[end date]

The auditor is responsible for carrying out the audit following International Standards on Auditing (ISA) and the SDGP Audit Protocol.

1. If the auditor does not express an unqualified opinion, the auditor must explain why not in the box below.

<b>Explanatory note on why an unqualified opinion was not expressed</b>
---

2. The findings concerning the design and functioning of the administrative organisation and Internal Control (AO/IC) system are reported in the boxes below:

<b>Findings on the internal control system:</b>
---

<b>a) Findings on the authorisation of outgoing payments</b> (whether outgoing payments are authorised by the authorised officer(s) and were made to the entitled party):
---

<b>b) Findings on the authorisation of incoming receivables;</b> (whether outgoing payments are authorised by the authorised officer(s) and were made to the entitled party):
---

<b>c) Findings on the authorisation of the timesheets from all consortium partners;</b> (and their compliance with the approved budget in annex 1 of the grant decision):
---

<b>d) Findings on the calculation method used for the hourly tariffs</b> (and if they are in accordance with the prescribed Dutch calculation method "Loonkostensystematiek" as described in the Decision to grant subsidy)
---

**e) Findings on the allocation of direct and indirect programme costs** (and their compliance with the approved budget in annex 1 of the grant decision):

**f) Findings on applicable EU and other public procurement rules:**

**g) Findings on the extent to which accounting processes lead to the recording of financial information following the reporting system applicable to the entity:**

3. The audit report must state any other findings that the auditor must report orally or in writing to governance institutes of the lead partner/consortium partner.

**Any other audit findings** (findings to be reported orally or in writing to governance institutes):

4. The consortium partner/lead partner must declare in the letter of representation (LOR) issued to the auditor that the below-stated article below stated article of the grant decision has been satisfied:

'The lead partner must not offer to third parties or seek or accept from or be promised by third parties, for itself or any other party, any gift, remuneration, compensation or benefit of any kind whatsoever, if this could be interpreted as a corrupt or illegal practice.'

The auditor must state whether the previous statement is included in the LOR.

**Findings on the presence of the previously mentioned statement in the LOR:**

## **Annex C: Model to report on factual findings**

### **Report of factual findings on the financial statements and audit reports consortium partners**

To: appropriate addressee

#### **Engagement**

We have performed agreed-upon procedures for the financial statements and audit reports of the consortium partners. The engagement has been agreed with you and aims to assess the individual audit reports of the consortium partners and the consolidated financial statements of the overall project. The agreed-upon procedures have been agreed with the intended users, being the grant recipient/lead partner, Ministry of Foreign Affairs.

The terms of the engagement are described in our engagement letter dated ... (date engagement letter). [Optional: After acceptance of the engagement, the following limited changes are made in the agreed-upon procedures: ...].

#### **Responsibilities**

We conducted our work following Dutch Standard 4400N, Engagements to perform agreed-upon procedures ('Opdrachten tot het verrichten van overeengekomen specifieke werkzaamheden'). During the performance of this engagement we have complied with the VGBA, Dutch Code of Ethics ('Verordening gedrags- en beroepsregels accountants')

[Optional (when relevant): We have also taken into account the independence requirements of the ViO, Code of Ethics for Professional Accountants, a regulation concerning independence ('Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten').

#### **Procedures performed and findings**

This section describes the agreed-upon procedures and factual findings. We do not make any statement on the implications of the factual findings for the financial statements and audit reports of the consortium partners as a whole.

Following the terms of the engagement we determined:

- Whether the audit opinions, prepared following ISA 800/805 have been issued on the information underlying the SDGP policy framework report (for example, the financial reports of all individual consortium partners).
- The nature of the audit opinions. If an unqualified opinion has not been expressed, it must be mentioned in the report of findings, stating:
  - the name of the consortium partner in question;
  - the nature of the opinion;
  - the verbatim text of the audit opinion explaining why an unqualified opinion could not be expressed;
  - where applicable, the place in the SDGP policy framework report of the consortium as a whole where the item(s) can be found that prevented the auditor from expressing an unqualified opinion.
- Whether the lead partner has correctly and completely combined the financial reports of all individual consortium partners into the consolidated financial report and that the lead partner has explained any discrepancies between the consortium partners' financial reports and the consolidated financial report. If the auditor believes the lead partner's consolidated financial report or explanatory notes are incorrect or incomplete, they must make recommendations for improvement. If the lead partner does not implement the recommendations, the auditor must state so in their report of findings.

The findings of our procedures are as follows:

- ...;
- ...

[Optional: Because ... (rationale) it was not possible to perform the following agreed-upon procedures: ...].

**Restriction on use and distribution**

This report takes into account the expectations of the intended users. Therefore, this report is intended solely for the grant recipient/lead partner and the Dutch Ministry of Foreign Affairs. Our report should not be distributed to any other parties without our prior consent unless required by law.

Place and Date \_\_\_\_\_

Name of the audit firm \_\_\_\_\_

Address of the audit firm \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The personal name of the auditor \_\_\_\_\_

Signature in name of the audit firm \_\_\_\_\_