**Audit protocol for the grants awarded under the Public-Private Partnership Programme**

**1. Introduction**

Follow this protocol when auditing the financial statements prepared in relation to the grant awarded under the grant decision within the following Public-Private Partnerships (PPP’s):

1. Sustainable Water Fund Grant Programme (FDW),

2. Sustainable Entrepreneurship and Food Security Fund Grant Programme (FDOV)

3. Ghana WASH Window from the Sustainable Water Fund Grant Programme (GWW).

The grant decision specifies whether the audit should be conducted annually or at the end of the project. This audit protocol sets out the applicable audit principles and requirements. This document also explains how to report the audit findings. The external auditor is engaged by the lead partner.

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 applying to the PPP policy frameworks comprises the decisions to award a grant for the FDW, FDOV, GWW policy framework, including annexes.

The following legal and regulatory framework provides further information:

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 Public-Private Partnership Grant Programme as laid down in the various Policy Frameworks and Application Forms, such as 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: <http://eur-lex.europa.eu/homepage.html>;

f) Partnership Agreement.

Documents in respect of the regulations mentioned under a, b, c and d are available on [www.rijksoverheid.nl](http://www.rijksoverheid.nl). The regulations a, b and c can also be found on the Netherlands Enterprise Agency website.

Review policy:

The Minister of Foreign Affairs may request a review to ascertain that the auditor has complied with the audit protocol. This will be done in consultation with the Internal Auditors of the Netherlands Enterprise Agency

**1.3 Purpose of the audit protocol**

This audit protocol sets out specific guidelines for the auditor and explains how the audit findings must be reported. The external auditor is to be engaged by the lead partner.

**1.4 Structure of this document**

This audit protocol distinguishes between:

1. the audit of the financial report of the consortium as a whole (chapter 2);
2. the audit of the financial reports of each consortium partner separately (chapter 3);
3. the accompanying agreed-upon procedures (resulting in a report of factual findings) of consolidated financial report for the consortium as a whole drawn up by the lead partner (chapter 4). Chapter 4 only applies to the lead partner’s auditor. The other chapters apply to the auditors of all consortium partners.

**1.5 Accountability**

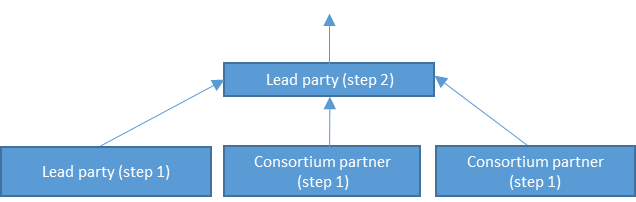
The grants under the FDW, FDOV and GWW policy framework schemes are awarded to an organisation acting as the lead partner of a consortium. The lead partner will distribute the grant to the consortium members in a proportion of the project costs. The lead partner is regarded a consortium member in this respect.

* 1. The lead partner has 2 audit alternatives to consult with the auditor:

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

Alternative B: The individual financial reports of the consortium partners are subject to an ISA 800/805 audit. The obtained individual 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 this reporting structure for alternative B:



|  |  |  |  |
| --- | --- | --- | --- |
| **Step** | **Type of report partner** | **Type of audit report** | **Relevant chapter of the audit protocol** |
| **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 |

**2. Audit of financial statement for the entire grant amount (Alternative A)**

**2.1 Introduction**

This section considers the audit of financial statements prepared about the grant rewarded. The activities comprise 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 overall project financial report in accordance with ISA 800/805 and the associated audit report prepared in accordance with the model in annex A of this protocol. The lead party submits this audit report to the Netherlands Enterprise Agency.

**2.2 Goal and scope of the audit**

The goal of the audit is to establish whether the financial transactions as reported in the overall project financial statement comply with the legal framework as set out in section 1.2. The auditor carries out its activities in accordance with this protocol and the relevant International Standards on Auditing (ISA). The audit subject is the overall financial report of the consortium, including own contribution(s) for the period being audited. The entire project period applies to the audit of the final report. However, material findings from earlier audits must be incorporated in the final report.

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

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

The auditor establishes whether the financial statements comply with the requirements laid down in Sections 1.2 and 2.2 of this protocol. The auditor will ascertain that:

1. Expenditures and receipts are recorded accurately, complete and actually paid or received.

2. The grant recipient has reported on all income, including grants, that co-finance grant related activities.

3. Expenditures and receipts relate to 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 are:

a. eligible, following the EU directives and grant agreement;

b. supported by relevant documents;

c. based on actual costs or lump sum amounts set by the organisational internal policies.

6. The organisation keeps a transparent project administration and uses timesheets for personnel costs. The project administration will be kept available for auditing purposes for a period of 7 years after closure of the project.

7. 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. Find the EU Directives on <http://eur-lex.europa.eu/homepage.html>.

8. 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.

7. All own contribution requirements by Partnership Partners are met in accordance with the grant decision pertaining to the grant including any amendments made to this decision.

***Materiality: desired assurance and materiality levels/permitted tolerances***

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

Because of this level of reliability, the type of audit opinion will be determined by the following materiality levels, based on the amount funded.

***The 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 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 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 Annex A of this protocol.

***Supplementary activities to the audit of financial statements***

In the letter of representation, management must specifically confirm that they have complied with the applicable article of the grant decision for their subsidy project, which 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.

The auditor will not give an opinion on the narrative part of the report. However, the auditor 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 related to the requirements referred to in this section may be relevant to the grant provider.

**2.4 Reporting**

The auditor must issue an audit opinion on the activities described in section 2.3 following the model set out in Annex A. The auditor’s report on financial statements with an unqualified opinion must be worded as presented in Annex A or in accordance with a more recent model text as published on the IAASB website.

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

The individual consortium partners draw up individual financial reports. The lead partner also draws up a financial report in its role as a consortium member. The conditions set out in chapter 2 also apply for the audit of the financial statements of the individual consortium partners, with the following exception:

The audit must be carried out in accordance with applicable international auditing standards, including the legal framework of the consortium partner’s country of registration. The consortium partners must each provide the following documents to the lead partner:

* Individual financial reports;
* Model of the financial report. This can be prescribed by the lead partner to consolidate 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 (Alternative B, step 2)**

**4.1 Introduction**

This section considers the audit of the lead partner’s FDW, FDOV or GWW 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. This consolidated financial report must be audited in accordance with ISRS 4400.

**4.2 Lead partner’s FDW, FDOV or GWW framework report (ISRS 4400)**

The lead partner’s auditor is responsible for drawing up a report of factual findings on the consolidated financial report of the consortium as a whole. This engagement must be carried out in accordance with ISRS 4400.

In an ISRS 4400 engagement, the auditor does not provide assurance but only 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 the nature, timing and scope of the specific activities with the contracting authority and disclose the findings in its report (see ISRS 4400). The auditor’s activities and their scopes must be clearly understood. The auditor is not expected to express an opinion on the adequacy and suitability of the activities performed or why they were performed or for any other reason.

Activities to be performed by the auditor:

* The auditor verifies whether audit opinions prepared in accordance with ISA 800/805 have been issued on the information underlying the FDW, FDOV, or GWW policy framework report, that is the financial reports of all individual consortium partners.
* The auditor verifies the nature of these audit opinions. If an unqualified opinion has not been expressed, this must be mentioned in the report of factual 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 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 verifies that the lead partner has correctly and completely combined the financial reports of all individual consortium partners into the consolidated financial report. The auditor also verifies that the lead partner has explained any discrepancies 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, he must make recommendations for improvement. If the lead partner does not implement the recommendations, the auditor must state so in its report of factual findings.

**4.3 Reporting**

The report of factual findings comprises the elements required under ISRS 4400, and describes the activities and findings regarding the aspects referred to in section 4.2 of this protocol. The auditor must use the model text published in Annex B or in accordance with a more recent model text as published on the IAASB website.

**ANNEX A – Model text Audit Report**

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 the 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 framework.

**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*). 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 has specifically confirmed that they have not offered to third parties or sought or accepted from or were 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.

Management[[1]](#footnote-1) 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 describe 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 Governance[[2]](#footnote-2)** **for the financial statements**

Management[[3]](#footnote-3) 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[[4]](#footnote-4) are responsible for overseeing the company’s financial reporting process.

**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 aggregated, they could reasonably be expected to influence the economic decisions of users taken

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*), ethical requirements and independence requirements.

Our audit included, for example:

* 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 under 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;
* 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 for 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 grant recipient/lead partner and the Dutch 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 in accordance with Dutch Standard 4400N: , “Opdrachten tot het verrichten van overeengekomen specifieke werkzaamheden” (Engagements to perform agreed-upon procedures). During the performance of this engagement we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA, Dutch Code of Ethics).

[Optional (if applicable): We have also taken into account the independence requirements of the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten” (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence).]

**Procedures performed and findings**

This section describes the agreed-upon procedures and factual findings.

We do not make any statement on implications of the factual findings for the financial statements and audit reports of the consortium partners as a whole.

In accordance with the terms of the engagement we determined:

* Whether the audit opinions prepared in accordance with ISA 800/805, have been issued on the information underlying the applicable Public-Private Partnership policy framework report, 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*) (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 exact text of the audit opinion explaining why an unqualified opinion could not be expressed;
* where applicable, the place in the applicable Public Private Partnership policy framework, 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) 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 is of the opinion 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 factual 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 rant 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)

**This is a publication of:**

Netherlands Enterprise Agency   
Prinses Beatrixlaan 2   
PO Box 93144 | 2509 AC The Hague   
T +31 (0) 88 042 42 42   
E klantcontact@rvo.nl   
[www.rvo.nl](http://www.rvo.nl)

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Netherlands Enterprise Agency is part of the ministry of Economic Affairs and Climate Policy.

1. Or another body such as ‘the foundation’s board’ or ‘the company’s executive board’. [↑](#footnote-ref-1)
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 [↑](#footnote-ref-2)
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