



Ukraine Partnership Facility (UPF) audit protocol

1. Basic principles

1.1 Purpose

The purpose of this audit protocol is to provide auditors with guidance on the scope and frequency of audits for the request to determine the subsidy amount. The grant recipient must submit the request to determine the subsidy amount to the Ministry of Foreign Affairs.

1.2 Definitions

Auditor: A registered accountant or an accounting consultant, as defined in Section 393 (1), Book 2 of the Dutch Civil Code, whom the grant recipient has instructed to audit the request to determine the grant amount.

Grant recipient: A legal entity to which a grant has been awarded on behalf of the ministry.

Audit opinion: A written declaration by the auditor containing an opinion on the accuracy, completeness and financial regularity of the request to determine the grant amount.

Financial regularity: A financial transaction that complies with the provisions of the applicable legislation and regulations (see clause 1.3) that affect the outcome of that financial transaction.

1.3 Legislation and regulations

The legislation and regulations (including any amendments) specified in the grant provision will apply when auditing financial regularity using this protocol.

When performing the audit, the auditor will also check that:

- a. the recognition and statement of costs and income:
 1. do not include any costs that are not eligible under the terms of the grant provision;
 2. only include costs that the grant recipient actually incurs under eligible costs;
- b. the grant recipient has specified all sources of income, including grants, that have been used to fund the activity to which the grant relates;
- c. if the grant relates to the implementation of a project, the project has been implemented according to the activity plan to which the grant provision relates.

2. Audit strategy

2.1 Requirements governing the audit strategy

The audit must comply with the auditing standards that form part of the further auditing rules and standards (*nadere voorschriften Controle- en overige standaarden*, NV COS) adopted by the Netherlands Institute of Chartered Accountants (NBA).

Without in any way limiting the provisions of the previous paragraph, the following aspects are of particular importance when auditing a specific financial recognition to determine the contributions from the ministry:

1. The auditor must analyse the risk that the specific financial recognition contains a material misstatement. This risk analysis must be prepared for this audit specifically; a standard analysis is not sufficient. In the risk analysis, the auditor must indicate the checks that will be performed on the identified significant risks.
2. Based on the risk analysis, the auditor will devise an audit plan that specifies the nature, timetable and scope of the audit activities that members of the audit team must perform to get sufficient audit evidence to reduce the control risk to an acceptably low level.
3. In the audit plan, the approval tolerance (see clause 2.2) will be translated into audit tolerances, with the approval tolerance being the maximum.
4. The audit will establish whether the items included in the financial recognition are accurate, complete and regular (see the definition of financial regularity in clause 1.2) with due regard to the audit tolerances and the approval tolerance (see clause 2.2).
5. The auditor must check:
 - that the contributions made by other administrative organisations, the European Commission and third parties towards the costs of the funded activities have been accurately and completely represented;
 - whether VAT has been correctly included as a cost;
 - *if applicable*: compliance with national and/or European public procurement directives.
6. The auditor may use audit procedures in the audit that were performed when auditing the grant recipient's annual accounts. But, a mere reference to these procedures in the audit file for the individual grant is not sufficient. These procedures and the main relevant conclusions must be described in the audit file for the specific audit opinion. The file must also contain the relevant documents, as it must be possible to use the audit file independently.
7. The auditor must provide adequate audit documentation to show that the audit procedures have been performed following the audit plan, specify the audit outcomes and show that they have been evaluated by the auditor, who has ultimate responsibility. Besides the audit plan based on the risk analysis, the documentation must include documents that show:
 - that the accuracy of the figures in the financial recognition has been checked;
 - that the financial recognition is consistent with accounting records;
 - that an analytical review has been performed on the actual reported costs compared to the budgeted costs;
 - the nature and scope of the system and data-oriented audit procedures for the costs entered in the financial recognition.

2.2 Materiality: Approval of tolerances and desired assurance

The auditor will seek reasonable assurance, which means a minimum reliability level of 95% when the statistical sampling method is used. In other words, the auditor will plan and perform the audit to get this level of assurance on whether the financial statements are free of material misstatements and/or uncertainties.

The following materiality levels apply when performing the audit.

Benchmark	Materiality
Reported expenditures/costs	2%

Type of audit opinion	Unqualified	Qualified	Disclaimer	Adverse
Accounting errors and uncertainties in the audit	Less than or equal to 2%	More than 2% but Less than or equal to 4%	Uncertainties more than 4%	Errors more than 4%

These percentages have been taken from the central government auditing manual (*Handboek Auditing Rijksoverheid*, HARo) of the interdepartmental consultation on departmental audit services (*Interdepartementaal Overleg Departementale Auditdiensten*, IODAD).

Recognition misstatements

A recognition is considered misstated if

- The audit indicates that an item or part of an item included in that recognition does not comply with one or more aspects of the applicable legislation and regulations (see clause 1.2);
- An item, or part of an item, has not been recorded accurately or entirely.

Misstatements about legislation and regulations are interpreted in absolute terms; offsetting misstatements is thus not permitted.

Inability to get adequate and suitable audit evidence (uncertainties in the audit)

Uncertainties in the audit are deemed to exist if, based on the available audit evidence, it cannot be determined whether an item or part of an item complies with the requirements of the applicable legislation or regulations.

Rectifying identified misstatements

The basic principle is that the grant recipient must correct the misstatements identified by the auditor as much as possible. Material misstatements (in accordance with the table in clause 2.2) that the grant recipient does not correct will result in a modified (for example, adverse) audit opinion from the auditor.

2. Reporting

The auditor will record the outcomes of the audit in an audit opinion. The current NBA sample text (HRA 3, section II, chapter 10.3: 'Audit opinion for a public sector grant expense statement' *Controleverklaring bij een subsidiedeclaratie in de publieke sector*) will be used for this purpose, as adapted for one-off grants. Reference should be made to the sample text provided with these audit guidelines.

3. Review policy

The National Audit Office (*Auditdienst Rijk*, ADR) may review the audit carried out for this grant. Upon request, the auditor must provide the ADR with the necessary information and documentation. The ministry will not compensate for extra costs incurred by the auditor in the context of this review.