



Partners for Water (PVW-IVWW) audit protocol

Annex to the subsidy granted pursuant to the Partners for Water (PVW-IVWW) subsidy programme.

1. Introduction

1.1 Purpose

This protocol must be followed when auditing the financial statements for subsidies granted pursuant to the 2024 Partners for Water (PVW-IVWW) subsidy programme. This audit protocol sets out the applicable principles and requirements. Also, it explains how to report the audit's outcome.

The Netherlands Enterprise Agency (RVO) acts on behalf of the Minister of Infrastructure and Water Management (Minister) when granting the PVW-IVWW subsidies. RVO monitors compliance with the requirements and obligations specified in the decision granting the subsidy. Following a request by the subsidy recipient to determine the final subsidy amount, which includes an audit opinion for (the) recipient(s), RVO determines the final subsidy amount.

The subsidy recipient (for example the lead party) must use an independent external auditor to perform the audit. RVO may request a review to ensure the auditor has complied with this protocol.¹ This review takes place in consultation.

1.2 Definitions

Auditor: An independent registered external accountant whom the subsidy recipient has engaged to audit the request for the determination of the final subsidy amount.

Subsidy recipient: An organisation with legal personality to which a subsidy has been granted on behalf of the Minister.

Audit opinion: A written auditor declaration expressing an opinion on the accuracy, completeness, financial legitimacy and consistency of a request to determine the final subsidy amount.

Financial legitimacy: A financial transaction that complies with the provisions of the applicable framework, legislation and regulations (see section 2.2) that affect the outcome of that financial transaction.

¹ Government Accounts Act, section 6.3. ('Comptabiliteitswet').

2. Audit Subject and Standards Framework

2.1. Audit Approach

The engagement is to ascertain that the financial statements have been prepared in accordance with a special purpose framework pursuant to International Standards on Auditing (ISA) 805 mentioned under section 3.1 of this protocol.

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

The decision granting the subsidy and this protocol refer to financial statements based on the cash accounting system (income and expenditures) or accrual accounting system (costs and revenues). The accounting policies should be selected based on the system used by the subsidy recipient in preparing the financial statements. The accounting policies used in the budget on the basis on which the subsidy has been granted, must correspond with those used in the related financial statements. It must also be consistent with the financial statements. Any changes to the system must be accompanied by explanatory notes and figures.

2.2. Standards Framework

Among other applicable laws and regulations, the following standards framework applies to the subsidy (see the Dutch website www.wetten.nl):

- a) The decision granting the subsidy and related annexes, including amendments;
- b) The Infrastructure and Environment Subsidies (Framework) Act (*Kaderwet subsidies I en M*);
- c) The Infrastructure and Environment Subsidies (Framework) Decree (*Kaderbesluit subsidies I en M*);
- d) Partners for Water (PVW-IVWW);
- e) The Dutch General Administrative Law Act (*Algemene Wet Bestuursrecht*).

See section 3 of this audit protocol for a summary of the review points relevant to the auditor.

3. Audit Activities

3.1. the audit of financial statements prepared in accordance with a special purpose framework as per ISA 805.

The audit of the financial statements aims to establish whether they meet the requirements of the standards framework of section 2.2 of this protocol. The auditor must verify that:

1. if the accrual accounting system has been used, the explanatory notes mention which portion of the costs incurred within the period covered by the financial statements and which amount has been recognised for items that are eligible;
2. costs have been properly recognised and costs are related to the activities mentioned in the subsidy decision;
3. revenues have been recognised in full and that revenues have been received. The auditor will examine consistency with the revenue sources included in the subsidy budget and use their knowledge of the organisation, for example in relation to the auditing of annual financial statements;
4. the financial statements are structured with the same level of detail and with the same cost and expenditure categories as the subsidy budget. The budget must also be recorded in the financial statements;
5. costs and expenditures are evidenced by supporting documents. The auditor must identify on the basis of their professional judgement whether the supporting documents suffice as audit information/evidence and are appropriate to the nature of the activity and the accompanying subsidy budget;
6. the accounting policies used are explained in the financial statements, and are consistent with the subsidy budget and the annual financial statements;
7. the system for allocating indirect costs/overheads as part of the personnel costs (calculation method hourly rates) to the activity is explained in the explanatory notes. The auditor must assess whether the allocation system has been used in the financial statements in accordance with the explanatory notes to the financial statements and with the subsidy budget. The associated audit activities are carried out in conjunction with those described in point 9, namely ascertaining that costs and expenditures are recharged on the basis of actual costs and expenditures;
8. costs that must be accounted for have to relate to the subsidy activities and have to be based on actual costs. This means that the subsidy recipient adopts a consistent approach in allocating costs and that retrospective costing takes place each year. If not yet available at the time of the audit, the retrospective costing for the year under review T-1 may be used. In the event of departure from this consistent approach in the allocation system, the applicant must have included an explanatory note in the financial statements;

3.2 Materiality

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 obtain this level of assurance about 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	Less than or equal to 3%	More than 3% and less than or equal to 6%	N/A	More than 6%
Audit uncertainties	Less than or equal to 3%	More than 3% and less than or equal to 10%	More than 10%	N/A

4. Reporting

This section explains how the auditor must report on their activities.

4.1. Audit opinion

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 published on the IAASB website. In case of a different opinion, please adjust this model in accordance with that opinion.

The auditor must also ensure a suitable way of identifying the financial statements on which the audit opinion will be issued. In any event, the auditor must include the audit's scope and objective, the relevant applicable audit criteria and any scope limitation.

4.2 Review policy

The Dutch National Audit Office (*Auditdienst Rijk*, ADR) may review the audit for the subsidy. The auditor must provide the ADR with all required information and documentation upon request. Any extra costs incurred by the auditor in the context of this review will not be payable by the Minister.