

Annex <XX > Financial, organisational, technical and procurement
audit report

[DRAFT or FINAL] REPORT

<date>

(For the final report, this is the date of signature of the final report by the independent auditor;
for an draft report, the date of submission for consultation)

**[FINANCIAL, INTERNAL CONTROL SYSTEM, PROCUREMENT,
TECHNICAL] AUDIT**

<PROJECT/PROGRAMME TITLE>

Audited Entity	< Name of the Entity implementing the Project/Programme >
Country:	< Country where the Project/Programme is implemented >
Contracting Authority:	< Signatory Authority: AFD or National Contracting Authority >
AFD Department or Agency:	< AFD Department or Agency >
Audit contract reference:	< Indicate the reference >
Dates of previous audit reports:	< Indicate the dates, if applicable >
Auditor:	< Audit firm having responsibility for the audit >
Period covered by the audit	from <date > to <date >
Dates of auditing work in the field:	from <date > to <date >
Project/Programme status:	< Indicate if ongoing or completed >
Draft report date:	< Indicate in the final report >
Contracting Authority/AFD Response Date:	< Indicate in the final report >

< AUDITOR'S LETTERHEAD >

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How to use this report template

- **complete** the requested information between the < >, highlighted in grey
- **choose** the text between [] highlighted in yellow, or remove
- **remove** all examples in red and highlighted in yellow
- **remove** all instructions and footnotes in red
- **remove this box and the next two on guidance regarding audit opinions**

GUIDANCE FOR FINANCIAL AUDIT OPINIONS

Should the **cumulative effect** (percentage of total expenditure reported for the Project/Programme) of financial findings be **below** the materiality threshold (usually 2%), the auditor should express an **unqualified** opinion. An **Emphasis of Matter** paragraph can be added to draw the attention to financial findings <2%, if applicable.

Should the **cumulative effect** (percentage of total expenses reported for the Project/Programme) of financial findings be **more** than the materiality threshold (usually 2%), the auditor must **at a minimum** express a **qualified opinion**. The auditor should determine on a case-by-case basis, based on his professional judgement, if it is appropriate to express an **adverse opinion** or to issue a **disclaimer of opinion**.

The wording of the paragraphs “Basis for qualified opinion” and “Basis for adverse opinion” may be adapted on a case-by-case basis, based on the significance of the findings or expenditure in question and the uncertainty factors. The type of audit opinion (qualified opinion, adverse opinion or disclaimer of opinion) and wording of the paragraph “basis for opinion...” depends on the factors listed below.

- For financial findings, the auditor is **certain** (the evidence is sufficient and appropriate) of the significance and ineligibility of the expenditure amount involved. The auditor can assess whether the impact of the findings **is** significant or pervasive.
- The pervasive nature of financial findings: **pervasive** means that the significance of the findings is such that it influences the total eligible expenditure and/or misleads the reader of the report. The auditor uses his **professional judgement** to determine if the financial findings are pervasive. He/she may use a proposed **indicative** threshold of 50% (total financial findings expressed as a percentage of total expenses reported for the Project/Programme) to issue an adverse opinion.

There are several scenarios for the opinion. This depends on several elements: the significance of each type of finding and other factors causing uncertainty (significant or major), including **limitations to the scope of work**.

Accordingly, it is not possible to provide a standard wording for the paragraph entitled “Basis for the opinion” in the case of a qualified and adverse opinion. The proposed wording can be used and adapted by the auditor on a case-by-case basis based on his professional judgement.

In the case of **scope limitations**, the auditor should assess the uncertainty resulting from this and its possible impact on the eligibility of the declared expenditure and decide whether it is appropriate to issue a qualified, adverse or disclaimer of opinion.

Independent Auditor's Report

[unqualified/qualified/adverse opinion] – Financial Audit

< Contracting Authority (AFD or National PM), [and Entity]¹ >
< Address >

In accordance with our terms of reference (ToR)", We have audited the expenditure and revenue as stated in the financial statements as at <date> of the project/programme entitled <title of project/programme>, the "Project/Programme", for the period from <date> to <date>, which is set out in Annex 1. This report has been prepared pursuant to Article <number> of the financing agreement <please give reference>, as agreed by the Agence française de Développement and <name of the signatory organisation>.

Our findings are set out in the relevant sections of our report, which is which is made solely to the Contracting Authority, [and] the Entity, [and the French Development Agency]² in order to gain assurance that the Project/Programme funding provided, has been used in conformity with the applicable contractual conditions which are set out in section 2.1 of our report, and to facilitate the determination, with the Entity, of any balance of funding which is payable or recoverable.

Respective responsibilities of the Entity's management and auditors

In accordance with the Contractual Conditions, the Entity's management is responsible for the preparation of the financial statements and for being satisfied that it presents fairly the actual expenditure incurred and revenue received for the Project/Programme, in accordance with the applicable contractual conditions.

Our responsibility is to audit the financial statements and to report our findings to the Contracting Authority, [and] the Entity, [and the French Development Agency]³, in accordance with the Terms of Reference of the engagement. These specify that we should carry out our work in accordance with International Standards on Auditing (issued by the International Federation of Accountants) insofar as these standards can be applied in the specific context of a contractual compliance audit. These standards require us to observe applicable ethical standards in the conduct of our work.

Scope of the audit

The scope of our audit is set out in the Terms of Reference as noted in section 2.1 of our report. It includes obtaining evidence for the amounts and disclosures in the financial statements to give assurance that the financial statements are free from material misstatement, whether caused by error or fraud. We have reported all our findings regardless of the amount involved.

¹ If the TOR require to send the report to the Entity simultaneously (§2.1.1.f of TOR).

² Use in the case where a national contracting authority is managing the audit.

³ Use in the case where a national contracting authority is managing the audit.

We took into account all the available evidence presented to us during our fieldwork, which we finalised on <date>, including the subsequent comments and information of the Entity, the Contracting Authority [and the French Development Agency]⁴ up to the date of this report.

Option 1 – Unqualified Opinion

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

Unqualified Opinion

In our opinion:

- the financial statements present fairly the actual expenditure incurred and revenue received for the Project/Programme for the period from <date> to <date>, in accordance with the applicable contractual conditions; and
- The funds provided to the Project/Programme by the Agence française de développement have, in all their material aspects, been used in conformity with the applicable contractual conditions.

[Emphasis of Matter] (Optional)

Without qualifying our opinion, we draw your attention to the **financial findings totalling <amount> Euros as set out in section 3.1. These findings represent <percentage>% of the total expenditure amount reported for the Project/Programme over the period covered by the audit.**

Distribution and use

The Contracting Authority has requested this report and it is intended solely for the information and use by the Contracting Authority [, the French Development Agency]⁵ and the Entity.

Auditor's signature:

Name of signing auditor:

Auditor's address:

*Date of signature: (do not use for draft reports. Date of signature of **final** report)*

Option 2 – Qualified opinion

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

Basis for qualified opinion

We refer to our financial findings totalling <amount> Euros, as set out in section 3.1 of our report. These findings represent <percentage>% of the total expenditure amount reported for the Project/Programme, over the period covered by the audit.

⁴ Use in the case where a national contracting authority is managing the audit.

⁵ Use in the case where a national contracting authority is managing the audit.

We consider these financial findings material in the context of our audit.

We have been unable to collect sufficient and appropriate evidence regarding: <description of the problems>

Qualified Opinion

In our opinion, except for the effects of the matters referred to in the preceding 'basis for qualified opinion' paragraph:

- present fairly the actual expenditure incurred and revenue received for the Project/Programme for the period from <date> to <date>, in accordance with the applicable contractual conditions; and
- The funds provided to the Project/Programme by the Agence française de développement have, in all their material aspects, been used in conformity with the applicable contractual conditions.

Distribution and use

The Contracting Authority has requested this report and it is intended solely for the information and use by the Contracting Authority [, the French Development Agency]⁶ and the Entity.

Auditor's signature:

Name of signing auditor:

Auditor's address:

*Date of signature: (do not use for draft reports. Date of signature of **final** report)*

Option 3 – Adverse opinion

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

Basis for adverse opinion

We refer to our financial findings totalling <amount> Euros, as set out in section 3.1 of our report. These findings represent <percentage>% of the total expenditure amount reported for the Project/Programme, over the period covered by the audit.

We consider these financial findings material in the context of our audit.

We have been unable to collect sufficient and appropriate evidence regarding: <description of the problems>

Adverse opinion

In our opinion, because of the fundamental nature of the matters referred to in the preceding 'basis for adverse opinion' paragraph

⁶ In case of national PM

- the financial statements do not present fairly the actual expenditure incurred and revenue received for the Project/Programme for the period from <date> to <date>, in accordance with the applicable contractual conditions; and
- The funds provided to the Project/Programme by the Agence française de développement have not, in all their material aspects, been used in conformity with the applicable contractual conditions.

Distribution and use

The Contracting Authority has requested this report and it is intended solely for the information and use by the Contracting Authority [, the French Development Agency]⁷ and the Entity.

Auditor's signature:

Name of signing auditor:

Auditor's address:

*Date of signature: (do not use for draft reports. Date of signature of **final** report)*

⁷ In case of national PM

Independent Auditor's Report [disclaimer of opinion] – Financial Audit

< Contracting Authority (AFD or National PM), [and Entity]⁸ >

< Address >

Report format to be used in case of a disclaimer of opinion

We have been engaged to audit the expenditure and revenue as stated in the financial statements as at <date> of the project/programme entitled <title of project/programme>, the “**Project/Programme**”, for the period from <date> to <date>, which is set out in Annex 1. This report has been prepared pursuant to Article <number> of the financing agreement <please give reference>, as agreed by the Agence française de Développement and <name of the signatory organisation>.

Respective responsibilities of the Entity's management and auditors

In accordance with the Contractual Conditions, the Entity's management is responsible for the preparation of the Financial Report and for being satisfied that it presents fairly the actual expenditure incurred and revenue received for the Project in conformity with the applicable Contractual Conditions.

Our responsibility is to audit the financial statements and report our findings to the Contracting Authority, [and] the Entity, [and the French Development Agency]⁹, in accordance the Terms of Reference of the audit engagement. These specify that we should carry out our work in accordance with International Standards on Auditing (issued by the International Federation of Accountants) insofar as these standards can be applied in the specific context of a contractual compliance audit. These standards require us to observe applicable ethical standards in the conduct of our work.

Basis for the disclaimer of opinion

The scope of our audit is set out in the Terms of Reference as noted in section 2.1 of our report. We were unable to obtain sufficient and appropriate evidence about: <description of the problems> due to <description of the reasons and the context>. The possible effects of this to the financial statements and the total expenditure amount reported for the Project/Programme could be both material and pervasive in the context of our audit. As a result of this uncertainty we do not have a basis for an opinion.

Disclaimer of opinion

Because of the significance of the matters described in the ‘Basis for the disclaimer of opinion’ paragraph, we have not been to obtain sufficient appropriate audit evidence to provide a basis for an opinion. **Accordingly, we do not express an opinion on the following elements:**

⁸ If the TOR require to send the report to the Entity simultaneously (§2.1.1.f of TOR).

⁹ Use in the case where a national contracting authority is managing the audit

- do the financial statements present fairly the actual expenditure incurred and revenue received for the Project/Programme for the period from <date> to <date>, in accordance with the applicable contractual conditions? and
- have the funds provided to the Project/Programme by the Agence française de développement been used, in all their material aspects, in conformity with the applicable contractual conditions ?

Distribution and use

The Contracting Authority has requested this report and it is intended solely for the information and use by the Contracting Authority [the French Development Agency]¹⁰ and the Entity.

Auditor's signature:

Name of signing auditor:

Auditor's address:

*Date of signature: (do not use for draft reports. Date of signature of **final** report)*

¹⁰ Use in the case where a national contracting authority is managing the audit.

GUIDELINES FOR INTERNAL CONTROL SYSTEM AUDIT OPINIONS

The Auditor should assess the magnitude (i.e. minor, significant or fundamental) of the weaknesses in the Internal Control System. For the purpose of determining what is a material weakness or deficiency in the Internal Control System the Auditor should assess whether the absence or failure of a control or a series of controls results in a significant risk of material error, irregularity or fraud in the use of the Project/Programme provided by AFD. The assessment of the magnitude of weaknesses in the Internal Control System is a matter of professional judgment of the Auditor.

If the Auditor's internal control findings relate to **minor weaknesses** in the Internal Control System which **do not** pose a significant risk to the achievement of the objectives of the Project/Programme, the effects of these weaknesses should be considered as **not material** in the context of the audit. The Auditor should express an **unqualified** opinion and use an **Emphasis of Matter** paragraph to draw the attention to findings for minor weaknesses in the Internal Control System, if any.

If the Auditor's internal control findings relate to **significant weaknesses** in the Internal Control System which pose a **substantial** risk to the achievement of the objectives of the Project/Programme, the effects of these should be considered as **material** in the context of the audit. The Auditor should express a **qualified** opinion

If the Auditor's internal control findings relate to **fundamental weaknesses** in the Internal Control System which pose a **critical** risk to the achievement of the objectives of the Project, the effects of these should be considered as **material and pervasive** in the context of the audit. The Auditor should express an **adverse** opinion.

In cases of **scope limits** the Auditor should assess the uncertainty and the possible effects of the uncertainty on the design and operating effectiveness of the Internal Control System and decide whether it is appropriate to issue a **qualified, adverse** or **disclaimer of opinion**.

Independent Auditor's Report

[unqualified/qualified/adverse opinion] – Audit of the internal control system

< Contracting Authority (AFD or National PM), [and Entity]¹¹ >
< Address >

We have audited the Internal Control System set up and operated by <name>, “**the Entity**”, for the project/programme <title of project/programme>, the “**Project/Programme**” and for the purpose of managing risks to the achievement of its objectives. These risks include errors, irregularities and fraud with regard to the use of Project/Programme funds provided by the Agence française de Développement.

This audit, performed in the offices of <Entity Name>, from <date> to <date> has been designed to evaluate the design, operational efficiency and effectiveness of the internal control system (tools and procedures) over the period from <date> to <date>, and the reliability of the accounting records and financial information of <Entity Name>. This report has been established according to the financial management provisions of the financing agreement <please give reference¹²>, as agreed by the Agence française de Développement and <name of the signatory organisation>.

Our findings are set out in the relevant sections of our report, which is made solely to the Contracting Authority, [and] the Entity, [and the French Development Agency]¹³ and in order to gain assurance that risks to the achievement of the objectives of the Project/Programme are properly managed and controlled.

Respective responsibilities of the Entity management and auditors

The Entity's management are responsible for the design, implementation and effective operation of the Internal Control System, including the management and control of risks to the achievement of the objectives to the Project/Programme.

Our responsibility is to audit the financial statements and report our findings to the Contracting Authority, [and] the Entity, [and the French Development Agency]¹⁴, in accordance with the Terms of Reference for the audit engagement. These specify that we should carry out our work in accordance with the International Framework and Standards for Assurance Engagements (issued by the International Federation of Accountants) insofar as these standards can be applied in the specific context of a systems audit intended to provide assurance that risks to the achievement of the objectives of the Project/Programme are properly managed and controlled. These standards require us to observe applicable ethical standards in the conduct of our work.

Scope of the audit

¹¹ If the TOR require to send the report to the Entity simultaneously (§2.1.1.f of TOR).

¹² Terms of disbursement provision, Annex 2, mention special commitments if any.

¹³ Use in the case where a national contracting authority is managing the audit.

¹⁴ Use in the case where a national contracting authority is managing the audit.

In accordance with our terms of reference, this audit has been designed to evaluate the design, efficiency and effectiveness of the Entity's key internal controls (tools and procedures), in particular for the reasonable prevention and detection of errors, irregularities and fraud in the use of funds provided by the Agence française de Développement for the Project/Programme execution. Our work has mainly consisted in:

- analysing procedures through interviews with key managers and reviewing the procedures and methods used to centralise, process and record various transactions;
- assessing the controls set up to ensure a proper control of operations;
- applying audit sampling to observe the application of controls deemed effective or to assess the impact of potential control deficiencies;
- reviewing procurement and contract execution procedures.

Option 1 – Unqualified Opinion

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

Unqualified Opinion

In our opinion, the internal control system set up and operated by [Audited Entity] for the purpose of managing material risks to the achievement of the objectives of the Project/Programme, was suitably designed and operated effectively in the period from <date> to <date>.

[Emphasis of Matter] (Optional)

Without qualifying our opinion, we draw your attention to the summary of findings and recommendations set out in section 3.2.2, recapitulating the identified weaknesses in the internal control system.

Distribution and use

The Contracting Authority has requested this report and it is intended solely for the information and use of the Contracting Authority [, the French Development Agency]¹⁵ and the Entity.

Auditor's signature:

Name of signing auditor:

Auditor's address:

*Date of signature: (do not use for draft reports. Date of signature of **final** report)*

¹⁵ Use in the case where a national contracting authority is managing the audit.

Option 2 – Qualified opinion

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

Basis for qualified opinion

We reviewed the design, operational efficiency and effectiveness of the existing internal control arrangements as at <date>, which have been set up for the purpose of managing material risks to the achievement of the objectives of the <Project/Programme name>, in particular for the reasonable prevention and detection of errors, irregularities and fraud.

We refer to our findings and recommendations as set out in section 3.2.2 of this report (Summary of Weaknesses, Risks and Recommendations), of our report detailing significant weaknesses in the Internal Control System and which therefore pose a substantial risk to the achievement of the objectives of the Project./Programme. The effects of these weaknesses to the design and operating effectiveness of the Internal Control System are considered to be material in the context of our audit, if remedial measures are not rapidly implemented.

Key identified weaknesses include: <description of weaknesses found>

Our work has been limited by: <description of limitations>

Qualified Opinion

In our opinion, except for the effects of the matters referred to in the preceding 'basis for qualified opinion' paragraph, the Internal Control System set up and operated by <Entity Name> for the purpose of managing material risks to the achievement of the objectives of the Project/Programme was suitably designed and operated effectively in the period from <date> to <date>.

Dissemination and use

The Contracting Authority has requested this report and it is intended solely for the information and use of the Contracting Authority [, the French Development Agency]¹⁶ and the Entity.

Auditor's signature:

Name of signing auditor:

Auditor's address:

*Date of signature: (do not use for draft reports. Date of signature of **final** report)*

Option 3 – Adverse opinion

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

Basis for adverse opinion

¹⁶ Use in the case where a national contracting authority is managing the audit.

We reviewed the design, operational efficiency and effectiveness of the existing internal control arrangements as at <date>, which have been set up for the purpose of managing material risks to the achievement of the objectives of the <Project/Programme name>, in particular for the reasonable prevention and detection of errors, irregularities and fraud..

We refer to our findings and recommendations as set out in section 3.2.2 of this report (Summary of Weaknesses, Risks and Recommendations), of our report detailing fundamental weaknesses in the Internal Control System and which therefore pose a critical risk to the achievement of the objectives of the Project/Programme. The effects of these weaknesses to the design and operating effectiveness of the Internal Control System are considered to be both material and pervasive in the context of our audit.

Key identified weaknesses include: <description of weaknesses found>

Our work has been limited by: <description of limitations>

Adverse opinion

In our opinion, because of the fundamental nature of the matters referred to in the preceding 'basis for adverse opinion' paragraph, the Internal Control System set up and operated by <Entity Name> for the purpose of managing material risks to the achievement of the objectives of the Project was not suitably designed and did not operate effectively in the period from <date> to <date>.

Dissemination and use

The Contracting Authority has requested this report and it is intended solely for the information and use of the Contracting Authority [the French Development Agency]¹⁷ and the Entity.

Auditor's signature:

Name of signing auditor:

Auditor's address:

*Date of signature: (do not use for draft reports. Date of signature of **final** report)*

¹⁷ Use in the case where a national contracting authority is managing the audit.

Independent Auditor's Report [disclaimer of opinion] – Audit of the Internal Control System

< Contracting Authority (AFD or National PM), [and Entity]¹⁸ >

< Address >

Report format to be used in case of an disclaimer of opinion

In accordance with our terms of reference (ToR), We have been engaged to audit the Internal Control System set up and operated by <name>, “the Entity”, for the project/programme entitled <title of project>, the “Project/Programme”, and for the purpose of managing risks to the achievement of its objectives. These risks include errors, irregularities and fraud with regard to the use of Project/Programme funds provided by the Agence française de Développement.

The purpose of this internal control system audit was to cover the design and operating effectiveness of the Internal Control System in the period from <date> to <date>.

Respective responsibilities of the Entity management and auditors

The Entity's management are responsible for the design, implementation and effective operation of the Internal Control System, including the management and control of risks to the achievement of the objectives to the Project/Programme.

Our responsibility is to audit the financial statements and report our findings to the Contracting Authority, [and] the Entity, [and the French Development Agency]¹⁹, in accordance with the Terms of Reference for the audit engagement. These specify that we should carry out our work in accordance with the International Framework and Standards for Assurance Engagements (issued by the International Federation of Accountants) insofar as these standards can be applied in the specific context of a systems audit intended to provide assurance that risks to the achievement of the objectives of the Project/Programme are properly managed and controlled. These standards require us to observe applicable ethical standards in the conduct of our work..

Basis for the disclaimer of opinion

The scope of our audit is set out in the Terms of Reference as noted in section 2.1 of our report. **We were unable to obtain sufficient appropriate audit evidence about the <describe issues> because <description of the reasons and circumstances>.** The possible effects of this to the design and operating effectiveness of the Internal Control System could be both material and pervasive in the context of our audit. As a result of this uncertainty we do not have a basis for an opinion.

Disclaimer of opinion

Because of the significance of the matters described in the 'basis for disclaimer of opinion' paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion. Accordingly, we do not express an opinion on the design and operating

¹⁸ If the TOR require to send the report to the Entity simultaneously (§2.1.1.f of TOR).

¹⁹ Use in the case where a national contracting authority is managing the audit.

effectiveness of the Internal Control System of <name of Project/Programme> in the period from <date> to <date>.

Dissemination and use

The Contracting Authority has requested this report and it is intended solely for the information and use of the Contracting Authority [, the French Development Agency]²⁰ and the Entity.

Auditor's signature:

Name of signing auditor:

Auditor's address:

*Date of signature: (do not use for draft reports. Date of signature of **final** report)*

²⁰ Use in the case where a national contracting authority is managing the audit

1 Engagement context and objectives

1.1 Engagement Context

Specify the context in which the audit was planned and why:

- <(multiannual) audit planned in the financing agreement>
- <renewal of advances or imprest funds>
- <complementary audit following a specific event>
- <suspicion of fraud or corruption>

1.2 Project Subject to Audit

Describe concisely:

- <history and context of the Project/Programme>
- <the Project/Programme (presentation)>
- <the institutional context and the role of the key actors>

1.3 Audit Objectives

Summary of contents of section 1.2 of the Terms of Reference. Any changes to the audit objectives must have been approved by the Contracting Authority/AFD.

2 Methodology and Conduct of the Audit

2.1 Audit Scope

Provide a concise description of the audit scope:

- <contractual conditions> (see TOR point 1.3.1)
- <the period(s) covered, in particular for contracts subject to the audit> (see TOR point 1.3.2)
- <the volume data; include the number of awarded contracts and audited sites > (see TOR point 1.3.3)

2.2 Key Stages and Dates

Provide a concise description of the various audit stages as described in the TOR (see point 2.1.1):

	M1				M2				M3			
	W1	W2	W3	W4	W1	W2	W3	W4	W1	W2	W3	W4
Engagement preparation												
Preparatory meeting with the Contracting Authority												
Opening meeting with the Entity												
Fieldwork												
Aide-mémoire and restitution meeting												
Draft report submission (XX days after mission)												
[AFD] Contracting Authority and Entity Observations on Draft Report (XX days after report is received)												
Submission of final report to Contracting Authority [, the AFD] and the Entity (XX days after receiving comments and possible additional documentation)												

2.3 Significant events

Describe the mission's significant events, in particular those that could impact the scope of the audit (limitation of work).

2.4 Audit Procedures

Describe the items and procedures covered in section 2.3 of the TOR and their impact on sampling (TOR point 2.2.1) within the context of compliance testing to be performed on different Project/Programme financial and administrative management processes, to ensure the proper application of the management and control rules and procedures of the Project/Programme.

The scope of the work covered the following specific items and procedures (follow the structure provided when applicable):

- <Documents analysis (review of the contractual conditions - special attention paid to aspects concerning financial controls, eligibility of project expenditure and revenue, as well as the documentation and classification of accounting documents - and the organisation implemented for the administrative, technical and financial management)>
- <Evaluation of the internal control system (with regard to the organisation, procedures, archiving and accountability obligations, as well as the specific controls in particular in respect of combating money laundering and the financing of terrorism)>
- <Risk assessment>
- <Sampling and other methods of selecting items to be checked(TOR point 2.2.1)>
- <Obtaining evidence and control testing>
- <Auditing of financial statements and allocated funds
 - verification of financial statements
 - verification of the use of funds
 - analytical and budgetary procedures>
- <Description of procedures in respect of the procurement audit (point 2.3.4)> (summarise)
- <Description of procedures in respect of the technical audit (point 2.3.5)> (summarise)
- <Follow-up of the recommendations of previous audits> (delete if not applicable)
- <Obtaining written statements> (delete if not applicable).

3 Summary of Findings

Use the following paragraphs if included in the TOR §1.2 (objectives) and §2.3 (procedures).

3.1 Summary of Financial Findings

The tables below indicate the relationship between financial findings and total expenditure reported for the Project/Programme, and with the total amount of funding provided by AFD to the Project/Programme. They should be filled in by the auditor using the proposed format (a quantified example is shown here to assist the auditor).

Description	Expense classification	Amount (EUROS)	% of total expenditure reported by the Project/Programme
Total expenditure reported by the Project/Programme (see Financial Statements in Annex 1)		952,000	100%
Total audited expenditure		690,000	72%
% of audited expenditure		72%	
Draft report	Eligible (no misstatements)	450,000	47%
	Eligible (with misstatements)	150,000	16%
	Ineligible	90,000	9%
	Unaudited	262,000	28%
	Total expenses	952,000	100%
Final report	Eligible (no misstatements)	520,000	55%
	Eligible (with misstatements)	120,000	13%
	Ineligible	50,000	5%
	Unaudited	262,000	28%
	Total expenditure	952,000	100%

Description	Euros
Total expenditure reported by the Project/Programme (see Financial Report in Annex No. 1)	952,000
Less : to be deducted (ineligible expenditure established)	50,000
Eligible expenditure for the Project/Programme	902,000
AFD contribution (in case of co-funding)	100%
Eligible expenses on the AFD contribution	902,000
Instalment(s) paid by the AFD	900,000
Balance of funding (difference between funding received from AFD and total eligible expenditure)	2,000

The table below summarises by major budget line:

- the < % > of the project execution;
- the < % > of audited; expenditure
- the < % > of ineligible expenditure.

Summary of categories/major types of expenditure							
Expenditure category	Budget	Implement expenditure	% implemented	Audited Expenditure	% audited	Ineligible expenditure	% ineligible
Activities	400,000	358,000	90%	320,000	89%	30,000	8%
Investments	300,000	286,000	95%	210,000	73%	35,000	12%
Operation Costs	290,000	300,000	103%	155,000	52%	23,000	8%
Bank charges	10,000	8,000	80%	5,000	63%	2,000	25%
Total Project/ Programme expenditure	1,000,000	952,000	95%	690,000	72%	90,000	9%

3.2 Summary of Internal Control System Findings

3.2.1 Summary of Strengths

The strengths of the management of <Audited Entity> are summarised in the table below (Only use the relevant sections of the internal control system audit checklist):

No.	Category	Strengths
1	General Organisation	
1.1	Governance	Examples: 1) Existence of supervisory and monitoring bodies 2) Five-year strategic plan
1.2	Administrative organisation and institutional environment	1) Detailed organisation chart
1.3	Procedures manual	
1.4	Project facilities and equipment	
2	Management and reporting tools	
2.1	Accounting system	
2.2	Budget monitoring	

No.	Category	Strengths
2.3	Reporting	
2.4	Filing, archiving, and backup system	
2.5	Risk management	
3	Regulatory aspects	
3.1	Procurement	
3.2	Rules for implementing and justifying expenditure	
4	Administrative and financial management processes	
4.2	Cash management	
4.5	Fixed asset management	
4.8	Human resources management	

3.2.2 Summary of Weaknesses, Risks and Recommendations

The table below lists all findings related to the management of <Audited Entity> in relation to the different sections used in the checklist for an internal control system audit. A risk analysis, a recommendation and recommendation priority are provided for all findings. **Only use the relevant sections of the internal control system audit checklist.**

No.	Category	Findings	Risks	Lvl. Priority	Recommendations
1	General organisation				
1.1	Governance (Example)				
A.6	Is the meeting frequency defined in the statutory documents respected?	1) The minutes of statutory bodies meetings are not signed within the allotted timeframe and must be filed chronologically	Information in relation to decisions made by the statutory bodies is lost	2	1) Meetings of statutory bodies must be recorded in minutes signed by the participants, and filed in a dedicated record in chronological order
1.2	Administrative organisation and institutional environment				
1.3	Procedures manuals				
1.4	Project facilities and equipment				
2	Management and reporting tools				
2.1	Accounting system				

No.	Category	Findings	Risks	Lvl. Priority	Recommendations
2.2	Budgetary system				
2.3	Reporting/Financial statements and technical and financial implementation reports				
2.4	Filing, archiving and backup				
2.5	Mail management				
3	Regulatory aspects				
3.1	Procurement				
4	Administrative and financial management process				

No.	Category	Findings	Risks	Lvl. Priority	Recommendations
4.1	Revenue				
4.2	Cash flow				
4.3	Procurement and contract management				
4.4	Missions and workshops				
4.5	Fixed asset management				
4.6	Vehicle fleet management				
4.8	Human resources management				

3.3 Summary of Procurement Findings

The table below lists all findings from the procurement audit, based on the procedures defined in the Terms of Reference. **To be adapted freely, only summarise the relevant issues**

No.	Category	Findings
1	Review of the procurement system	
1.1	Operating bodies	
1.2	Preventing and detecting irregularities and fraud	
2	Requirement definition	
2.1	Compliance with procurement plan and budgets	
2.3	Compliant use mutual agreement/direct agreement contracts	
3	Competitive tender process	
3.1	Advertising method, deadlines for presentation of bids and organisation for bids submission	
3.2	Choice of consultation procedure	
4	Evaluation and award	
4.1	Evaluation methods used	
4.4	Contract award	
5	Contractual management	
5.4	Changes over the course of contracts	
6	Contracts subject to an AFD NON [non-objection notification]	
6.1	NON request	
7	AML/CFT and SER due diligence	
7.1	Implementation of AML/CFT due diligence	
8	Refinancing of expenditure	

No.	Category	Findings
8.2	Completion of mandatory verifications	

3.4 Summary of Findings on the Technical Execution of Contracts

The table below lists all findings from the technical audit, based on the procedures defined in the Terms of Reference. **To be adapted freely, only summarise the relevant points**

No.	Category	Findings
1	Technical requirements	
1.1	Relevance of specifications in the tender dossier	
1.2	Conformity of technical requirements contained in the tender dossier, technical bid, signed contract and work execution schedule	
2	Technical monitoring	
2.1	Existence and quality of technical monitoring documentation and cost breakdowns	
2.2	Actual completion of services	
3	Adequacy of prices	
3.1		
4	Compliance with the work execution schedule	
4.1		
5	Addenda	
5.4		
6	Control and supervision of works	
6.1		

3.5 Key Audit Data

The summary tables below contain key audit data and are solely for use of the Contracting Authority [and the French Development Agency]²¹.

Audit finding	Draft report				Final report			
	Ineligible		Eligible (with misstatements)		Ineligible		Eligible (with misstatements)	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Completeness of supporting documentation	12	60,000	28	90,000	8	40,000	16	80,000
Payment-related issues	2	10,000						
Formal regularity, accuracy and probative value	4	10,000	20	40,000			12	30,000
Budget implementation								
Other regulatory and contractual provisions			2	10,000			2	10,000
Price, relevance and probability of the expenditure	2	10,000			2	10,000		
Compliance with tax and social regulations								
Procurement procedures								
Irregularities								
Total findings	20	90,000	50	140,000	10	50,000	30	120,000

²¹ In case of national PM

3.6 Follow-up on Previous Audit Recommendations

The table below summarises recommendations from previous audits and indicates the level of implementation at the date of our audit. **To be adapted freely, only summarise the relevant points.**

No.	Recommendations	Priority level	Status of implementation of recommendations
1	General organisation		
1.1	Governance		
1.1.x	Respect of the roles and responsibilities of the steering committee (see procedures manual) to ensure independence between the steering and control committee and the project management unit (coordination).	1	A copy of their roles and responsibilities has been forwarded to each member of the steering and control committee
1.2	Administrative organisation and institutional environment		
1.2.x	Review the organisation chart to specify the different functions as well as the reporting and operational relationships	1	Revised organisational chart incorporated in manual and distributed internally within the Project
2	Management and reporting tools		
2.1	Accounting system		
2.1.x	Repair old software or purchase more suitable software for project management.	1	XXX software was proposed in the draft version of the 2019 work programme but was not kept in the final version.
3	Regulatory aspects		
3.1	Procurement		
3.1.x	Ensure adherence to procurement thresholds and selection criteria (see procedures manual)	1	Recommendation not implemented. Previously reported misstatements are still found in 2019.
4	Review by cycle		
4.1	Current and fixed assets		
4.1.x			
4.2	Cash flow		
4.2.x			
4.3	Missions and workshops		
4.3.x			
4.4	Etc.		
4.4.x			

4 Findings and recommendations

4.1 Financial Findings

Finding No.	Title: <title of the finding> Example: P
Audit Finding: <specify category> Example: Irregularity (No. 30 – Payment without supporting documentation)	
Finding description: <detailed description of the finding covering facts, criteria, cause(s) and impact. For criteria, mention relevant article(s) /contractual condition(s) in the contractual conditions> Example: The town hall of XX incurred motorcycle fuel and maintenance expenses of 229,575 CFA francs (EUR 349.98). No supporting documents were produced for this expenditure. This amount is simply extracted from the “October 2017 financial forecast”, prepared by the Technical Assistant and validated by the mayor of XX. This expenditure is considered as unjustified and therefore ineligible.	
Amount in Euros:	
Entity comments: <The Entity indicates whether or not it agrees with the finding and communicates its observations>	
Contracting Authority comments:	
Final auditor comments: [In the event of a disagreement with the Entity’s comments, the auditor should hereby rebut the Entity’s observations and justifies why the finding is still made]	
Euro amount in final report:	

4.2 Internal Control System Findings

Priority levels for ranking recommendations

Priority 1 - Urgent remedial action is required. Key internal controls are absent or are not complied with on a regular basis. There is a fundamental weakness or deficiency in an internal control or in a series of internal controls which involves a substantial risk of either material error, or irregularity or fraud with regard to the expenditure and revenue stated in the Financial Report of the Project. There is a substantial risk of failure to achieve the control objectives for the Project which concern reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations notably the Contractual Conditions for the Project. Such risks could lead to an adverse impact on the financial report of the Project. Remedial action should be taken urgently.

Priority 2 - Prompt specific action is required. There is a weakness or deficiency in an internal control or in a series of internal controls which, although not fundamental, relates to shortcomings which expose specific internal control areas (e.g. cash and bank management or budgetary and expenditure control) to a less immediate level of risk of either error, or irregularity or fraud. Such a risk could impact on the effectiveness of the internal controls and on the internal control objectives and should be of concern to the Entity's management. Prompt specific action should be taken.

Priority 3 - Specific remedial action is desirable. There is a weakness or deficiency in internal control which individually has no major impact but where the Project would benefit from improved internal controls and/or where the Entity would have the opportunity to achieve greater effectiveness and/or efficiency. There is a possibility of undesirable effects at the process level, which, combined with other weaknesses, could give cause for concern.

4.2.1 General Organisation

4.2.1.1 Governance

Finding No.	Title: <title of finding > Example: deficiencies in the governance of the Entity
Finding description: <detailed description of the finding covering facts, criteria, cause(s) and impact. For criteria, mention relevant article(s) /contractual condition(s) in the contractual conditions> Example: During our verifications we have identified the following deficiencies: 1) No minutes of the governing bodies statutory meetings were transferred to us; 2) The mandates of the steering committee members have been tacitly renewed, without any statutory meeting being held and without such provision being clearly specified in the Articles of Association.	
Recommendations: <recommendations should aim to correct existing situations, improve project management and internal control, or increase compliance with established controls and/or best practices>	
Recommendation priority: Priority 1 - Remedial action is required urgently; Priority 2 - A specific action is required quickly; Priority 3 - A specific remedial action is (Only retain the applicable option)	
Entity comments: <The Entity indicates whether or not it agrees with the finding and communicates its observations>	
Contracting Authority comments:	
Final auditor comments: < In the event of a disagreement with the Entity’s comments, the auditor should hereby rebut the Entity’s observations and justifies why the finding is still made >	

4.2.1.2 Administrative organisation and institutional environment

4.2.1.3 Procedures Manual

Finding No.	Title: <title of finding> Example: Procedures manual not adapted to current management
Finding description: <detailed description of the finding covering facts, criteria, cause(s) and impact. For criteria, mention relevant article(s) /contractual condition(s) in the contractual conditions> Example: During our review, we have identified the following weaknesses: 1) The manual does not describe the procedure for its review and update; 2) Duplicated and incompatible functions were detected; 3) Some procedures are to be reviewed (accounting) or simplified (reporting) to reflect the structure’s current size and management processes; 4) Project coordination does not possess any hard copy of the manual.	

<p>Recommendations: <recommendations should aim to correct existing situations, improve project management and internal control, or increase compliance with established controls and/or best practices></p>
<p>Recommendation priority: Priority 1 - Remedial action is required urgently; Priority 2 - A specific action is required quickly; Priority 3 - A specific remedial action is (Only retain the applicable option)</p>
<p>Entity comments: <The Entity indicates whether or not it agrees with the finding and communicates its observations></p>
<p>Contracting Authority comments:</p>
<p>Final auditor comments: < In the event of a disagreement with the Entity's comments, the auditor should hereby rebut the Entity's observations and justifies why the finding is still made ></p>

4.2.1.4 Project Facilities and Equipment

4.2.2 Management and Reporting Tools

4.2.2.1 Accounting System

4.2.2.2 Budget Monitoring

4.2.2.3 Reporting

4.2.2.4 Filing, archiving and backup

4.2.2.5 Mail management

4.2.2.6 Risk management

Finding No.	Title: <title of finding> Example: No formalised document
Finding description: <detailed description of the finding covering the facts, criteria, cause(s) and impact(s). For criteria, specifically state the article or clause of the contractual provisions> Example: Th structure does not possess a formalised risk management document. However, risks are analysed in the funding agreement.	
Recommendations: <detailed description of the finding covering facts, criteria, cause(s) and impact. For criteria, mention relevant article(s) /contractual condition(s) in the contractual conditions>	
Recommendation priority: Priority 1 - Remedial action is required urgently; Priority 2 - A specific action is required quickly; Priority 3 - A specific remedial action is (Only retain the applicable option)	
Entity comments: : <The Entity indicates whether or not it agrees with the finding and communicates its observations>	
Contracting Authority comments:	
Final auditor comments: < In the event of a disagreement with the Entity's comments, the auditor should hereby rebut the Entity's observations and justifies why the finding is still made >	

4.2.3 Regulatory Aspects

4.2.3.1 Procurement

4.2.3.2 Rules for Implementing and Justifying Expenditure

4.2.4 Administrative and Financial Management Processes

4.2.4.1 Revenue

4.2.4.2 Cash flow

4.2.4.3 Purchases

4.2.4.4 Missions and Workshops

4.2.4.5 Fixed Assets

4.2.4.6 Vehicle Fleet

4.2.4.7 Office Operating Costs

4.2.4.8 Human Resources

4.3 Procurement Findings

4.3.1 Contract No.<1>

Title: <title of finding> Example: Observations relating to the use of call-off contract (Category 3.2 – <i>Choice of consultation procedure</i>)
Finding description: <detailed description of the finding covering the facts, criteria, cause(s) and impact(s). For criteria, specifically state the article or clause of the contractual provisions> Example: Call-off contracts have been widely used for urban road works. However, the use of this technique is quite unusual for works, even for maintenance purposes, and is usually favoured for recurrent purchases of supplies. In addition, this procedure is not detailed or only lightly detailed in the public procurement regulation in force over the period subject to the audit.
Entity comments: <The Entity indicates whether or not it agrees with the finding and communicates its observations>
Contracting Authority comments:
Final auditor comments: < In the event of a disagreement with the Entity’s comments, the auditor should hereby rebut the Entity’s observations and justifies why the finding is still made >

4.3.2 Contract No.<2>

4.3.3 Contract No.<3>

4.4 Findings on the Technical Implementation of Contracts

4.4.1 Contract No.<1>

Title: <finding title> <i>Example: General finding relating to the organisation of controls (Category 6 – Monitoring and supervision of works)</i>
Finding description: <detailed description of the finding covering the facts, criteria, cause(s) and impact(s). For criteria, specifically state the article or clause of the contractual provisions> <i>Example: a significant change was observed in relation to previous financial years: supervision missions by private engineering consultants were authorised on the sites funded as part of the Project. The auditor should report a specific case: it appears, according to the declarations made to auditors during their site visits, that it is the XY firm that oversees the rehabilitation work of the Z laboratory, although the auditor did not find a trace of this contract in the Project files. Furthermore, the auditor did not encounter any supervision mission during his site visit.</i>
Entity comments : <The Entity indicates whether or not it agrees with the finding and communicates its observations>
Contracting Authority comments:
Final auditor comments: < In the event of a disagreement with the Entity’s comments, the auditor should hereby rebut the Entity’s observations and justifies why the finding is still made >

4.4.2 Contract No.<2>

4.4.3 Contract No.<3>

Annex 1: Project/Programme Financial Statements

Annex 2: Cash Flow Reconciliation

Annex 3: Detailed Breakdown of Audited Expenditure

Annex 4: Records of Field Visits

Annex 5: People Contacted or Involved in the Audit

Last name and First name	Position

Annex 6: Terms of Reference of the Engagement