

NPT Grants - Annex VI

AUDIT GUIDELINES

1. Introduction

The decision to award a grant for an NPT project requires that the Grant recipient(s) prepare(s) an annual statement of expenditures and supply an auditor's report on that statement.

- *In case the grant is awarded to both the partner in the South and the Dutch partner (tripartite grant):*
Both organizations submit their own auditor's report directly to Nuffic

- *In case the grant is awarded to one of both collaborating partners (bipartite grant):*

The grant recipient may decide whether

- a) that it bases its financial statements and audit report on original invoices submitted by the project partner, or
- b). it wants an auditors statement for the expenses incurred by the project partner. In this case the Grant recipient's auditor has to combine both audits into a single report that covers all project expenditures for the year in question..

Unless specified otherwise, the following guidelines apply to all audits that take place within the context of an NPT project.

2. Audit objectives

2.1 The audit should be carried out in accordance with generally accepted auditing standards (ISA).

2.2 The auditor is asked to do the following:

2.2.1 To give an opinion on the statement of expenditures, in particular to assess its accuracy and the legitimacy of the expenditures in all material respects. Expenditures will be regarded as legitimate if:

- they comply with the conditions of the project agreement and with the NPT financial rules and rates, and the NPT financial guidelines, both of which are attached as annexes to the project agreement;
- they have been recorded properly under headings that are the same as those in the approved budget;
- they are not in breach of legal regulations.

2.2.2 To evaluate the organization's own system of internal control with respect to the NPT project, to estimate the audit risk, and to identify any matters worthy of mention, including any material weaknesses in the internal control system.

2.2.3 To conduct tests to determine whether the organization has complied, in all material respects, with the conditions of the agreement and with the rules and regulations that apply to the project. Any material incidence of non-compliance or any indication of an illegal practice should be reported.

3. Scope of the audit

3.1 Preparing for the audit

3.1.1 The auditor should review the following documents to become familiar with the project:

- the Grant letter
- the agreement between the Grant recipient and its project implementing partner;
- the project document, the budget, and any other relevant correspondence with Nuffic regarding the project;

- reports on the progress and financial situation of the project;
 - description of the project's organizational structure and procedures, and the procedures for procuring, receiving, storing and distributing project goods.
- 3.1.2 The auditor should examine the findings and recommendations of previous audits to see whether these have been followed up. Has the organization taken corrective action where necessary? Is a change required in the auditing approach?
- 3.2 *Drafting the audit plan.*
- The auditor should draw up an audit plan which includes an examination of the structure and functioning of the system of internal control, an analytical review and substantive testing.
- 3.3 *Implementation*
- 3.3.1 The auditor should audit the statement of expenditures on the basis of the audit plan, and then write an auditor's report.
- 3.3.2 The auditor should ensure that the findings recorded in the audit report are accompanied by sufficient relevant evidence and by a description of the auditing procedures that were used.

The steps described here in this section are not exhaustive or restrictive and may not impose any limitations on the exercise of the auditor's professional judgement.

4. Auditor's report

The auditor's report should state clearly the auditor's opinion of the statement of expenditures. The following text should be used:

To: [Appropriate addressee]

We have audited the accompanying statement of income and expenditures under the *Netherlands Programme for the Institutional Strengthening of Post-secondary Education and Training Capacity (NPT)* of [name of entity], [statutory seat] for the period [period] in respect of NPT Grant CF-[CF number]. The statement has been prepared by management of [entity].

Management's responsibility

Management is responsible for the preparation of the statement in accordance with the requirements set out in the Grant CF-[CF number] dated [date]. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing and the audit guidelines as mentioned in the NPT grant conditions. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used.

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

Opinion

In our opinion, the statement of expenditure of [entity] of a total amount of eligible costs of €[amount] over the period [period] is prepared, in all material respects, in accordance with NPT Grant conditions.

Restriction on use and distribution

The statement is prepared for the entity to comply with the requirements as set out in the NPT grant. As a result, the statement may not be suitable for another purpose. Our auditor's report is solely intended for Nuffic and should not be distributed to or used by others than Nuffic.

Place and date

Name audit firm

(name auditor RA)

5. Review

Nuffic reserves the right to have the audit reviewed. The auditor concerned will fully cooperate with this review, supplying the reviewer with all relevant documentation related to the audit.

6. Audit files

The audit firm must keep an orderly and accessible audit file for the project. This file should be kept for ten years from the date the audit was completed. All working papers and reports should be in the English language.

7. Choice of audit firm

By the organization in the South

The audit must be conducted by an independent external auditor who is acceptable to both Nuffic and the organization in question. In principle, the organization in the South is advised to choose a local office of one of the international accounting firms. If a firm not related to an international accounting firm is chosen, this must be communicated to Nuffic in advance.

By the organization in the Netherlands

The audit can be conducted by the organization's usual auditor: that is to say, an independent external auditor commissioned by the organization to audit the annual accounts. The audit may not be conducted, however, by the organization's own internal audit department.