**ATTACHMENT  X
Terms of Reference**

**Project Audit**

**Objective**

The objective of the audit is to enable the auditor to review the financial position of the project based on the Funds received and expenditures reported.

The audit shall be conducted and submitted as defined in the Grant Agreement under section “***Annual Project Audit***”.

**Scope**

The audit will be conducted in accordance with International Standards on Auditing as published by the International Auditing and Assurance Standards Board of the International Federation of Accountants, with special reference to ISA 800 (Auditor’s Report on Special Purpose Audit Engagements) and will include such tests and controls as the auditor considers necessary.  The auditor must bear in mind that for the establishment of the audit opinion, s/he must carry out a compliance audit and not a normal statutory audit.

The preparation of the financial reports is the responsibility of the Grantee.  The financial information must be established in accordance with consistently applied Accounting Standards and the underlying grant agreement.

The auditor’s opinion, established in the audit opinion report, will explicitly state whether:

1. The payments out of the project funds have been made in accordance with the conditions of the agreement.  Where ineligible expenditures are identified, these should be noted separately.
2. The Funds have been maintained in accordance with the provisions of the agreement.  This also comprises interest earned from balances.
3. Expenditures are supported by relevant and reliable evidence.  All supporting documents and records with respect to the statements of expenditure submitted as the basis for cash requests have been made available.
4. The audited financial reports can be relied upon to support the related cash requests.  Clear linkage should exist between the financial reports, the cash requests presented to CI and the accounting records.
5. Goods and services financed have been procured in accordance with the agreement and the {funding source/donor’s rules and regulations].

**Reports**

* **Methodology:** While not required, CEPF strongly recommends that auditors use the Audit Project Template in Annex 1. This template is designed to serve as an effective tool that achieves the following objectives:
	+ **Facilitates the auditor's assessment** while ensuring the auditor retains full discretion in expressing their professional opinion.
	+ **Promotes consistency** in reporting findings in alignment with the CEPF grant agreement terms and conditions.
	+ **Establish** standardized guidance for all beneficiaries of CEPF.
* **Deliverables:** The final report will include all aspects specified in the preceding paragraph (“Scope”).  In doing so, this/these report(s) shall provide a schedule showing receipts and disbursements during the Audit Period and the balance of the separate account(s) and all sub-accounts (if any) at the beginning and the end of the Audit Period.  It will also summarize findings, provide detailed observations, and include recommendations for stakeholders.

**Management letter**

In this document, the auditor will:

1. give comments and observations on the according records, systems and controls examined during the course of the audit (as far as necessary for the understanding of the financial reports);
2. identify specific deficiencies and areas of weakness in systems and controls of the Grantee that have come to the auditor’s attention, especially with regard to procurement and payments, and make recommendations for their improvement;
3. report on actions taken by the management of the Grantee to make improvements with respect to deficiencies and areas of weakness reported in the past;
4. bring to the Grantee’s attention any other matter that the auditor considers pertinent.

ANNEX 1

|  |  |  |
| --- | --- | --- |
| **Project Audit Report** CEPF Grant Number:

|  |  |
| --- | --- |
| Project Title | Account Name |

Reporting Period **From** xxxx **To** xxxx |
| **Audit Company:** |  |
| **Auditor’s Name(s):** |  |
| **Address:** |  |
| **Country:** |  |
|  |
| **Date of the Audit:** |  |
|  |
| **Project Summary:** |  |
| **Total Value of the Award:** | USD |
| **Funds Received:** | USD |
| **Expenditures Reported:** | USD |
| **Objective of the Audit:** | To enable the auditor to express an opinion on the financial position of the project based on funds received and expenditures reported. |
| **SUMMARY OF FINDINGS** | *Auditor’s summary: if positive, favorable, or if there are any concerns whether due to fraud or error.*  |
|  |
| **Signature of Auditor(s)** |
|  |  |
| **Lead Auditor** | **Co-Auditor** |
| **Attachments** | 1. Statement of Integrity signed by the Audit Firm (AFD agreement only. Please consult with your Grant Manager)
 |

**Auditor’s Report *(please fill in the sections below)***

1. **General Information**
	1. Organization overview
	2. Organization compliance status

 *Include organizations past audit opinions, if applicable.*

* 1. Accounting system overview
	2. Bank statement/account overview
	3. Audit review process

 *Include activities which were not covered during the audit.*

1. **Audit Details**

* 1. Payment

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Payment Date | USD | Local Currency | Exchange Rate | Currency Gain/Loss (If applicable) |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| TOTAL |  |  |  |  |

* 1. Reporting

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Budget Category | Approved Budget | Expenditures  | Available budget | Comments |
| Salaries and Benefits |  |  |  |  |
| Consultancies and Professional Service |  |  |  |  |
| Occupancy |  |  |  |  |
| Telecommunications |  |  |  |  |
| Postage |  |  |  |  |
| Supplies |  |  |  |  |
| Furniture and Equipment |  |  |  |  |
| Maintenance |  |  |  |  |
| Travel/Special Events |  |  |  |  |
| Bank Fees |  |  |  |  |
| Management Support Cost |  |  |  |  |
| Subgrant |  |  |  |  |
| **TOTAL**  |  |  |  |  |

1. **Management Summary**
	1. Compliance with Reporting Requirements
	2. Compliance with the Use of funds and resources
	3. Compliance with the Project monitoring
	4. Compliance with the Procurement of goods and services
	5. … *[add or remove sections as relevant]*
2. **Observations and recommendations**

4.1 Payment

|  |  |  |  |
| --- | --- | --- | --- |
| Observation | Risk | Recommendations | Action |
|  |  |  |  |
|  |  |  |  |

4.2 Reporting

|  |  |  |  |
| --- | --- | --- | --- |
| Observation | Risk | Recommendations | Action |
|  |  |  |  |
|  |  |  |  |

4.3 Use of Funds and Resources

|  |  |  |  |
| --- | --- | --- | --- |
| Observation | Risk | Recommendations | Action |
|  |  |  |  |
|  |  |  |  |

4.4 Project Monitoring

|  |  |  |  |
| --- | --- | --- | --- |
| Observation | Risk | Recommendations | Action |
| Cash Management |  |  |  |
|  |  |  |  |
| Bank Account Management |  |  |  |
|  |  |  |  |
| Accounting Recordings |  |  |  |
|  |  |  |  |

4.5 Procurement of Goods and Services

|  |  |  |  |
| --- | --- | --- | --- |
| Observation | Risk | Recommendations | Action |
|  |  |  |  |
|  |  |  |  |

*4.6 … [add or remove sections as relevant]*

1. **Management Letter** (Type here or send as an Attachment)
2. **Annexes** (If applicable)