

REQUEST FOR QUOTATION (RFQ)

RFQ Reference: 01/12/2021.ISA	Date: 20 December 2021
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SECTION 1: REQUEST FOR QUOTATION (RFQ)

ISA kindly requests your quotation for the provision of goods, works and/or services as detailed in Annex 1 of this RFQ.

This Request for Quotation comprises the following documents:

- Section 1: This request letter
- Section 2: RFQ Instructions and Data
- Annex 1: Schedule of Requirements
- Annex 2: Quotation Submission Form
- Annex 3: Technical and Financial Offer

When preparing your quotation, please be guided by the RFQ Instructions and Data. Please note that quotations must be submitted using Annex 2: Quotation Submission Form and Annex 3 Technical and Financial Offer, by the method and by the date and time indicated in Section 2. It is your responsibility to ensure that your quotation is submitted on or before the deadline. Quotations received after the submission deadline, for whatever reason, will not be considered for evaluation.

Thank you and we look forward to receiving your quotations.

Issued by:

Signature: _____

Name: Sudhakar Upadhyay

Title: Administrative Officer

Date: 20 December 2021

SECTION 2: RFQ INSTRUCTIONS AND DATA

Introduction	<p>Bidders shall adhere to all the requirements of this RFQ, including any amendments made in writing by ISA. This RFQ is conducted in accordance with the ISA Programme and Operations Policies and Procedures (POPP) on Contracts and Procurement</p> <p>Any Bid submitted will be regarded as an offer by the Bidder and does not constitute or imply the acceptance of the Bid by ISA. ISA is under no obligation to award a contract to any Bidder as a result of this RFQ.</p> <p>ISA reserves the right to cancel the procurement process at any stage without any liability of any kind for ISA, upon notice to the bidders or publication of cancellation notice on ISA website.</p>
Deadline for the Submission of Quotation	<p>03 January 2022 by 18.00 Hrs (IST) If any doubt exists as to the time zone in which the quotation should be submitted, refer to http://www.timeanddate.com/worldclock/.</p> <p>For eTendering submission - as indicated in eTendering system. Note that system time zone is in EST/EDT (New York) time zone.</p>
Method of Submission	<p>Quotations must be submitted as follows:</p> <p><input type="checkbox"/> E-tendering <input checked="" type="checkbox"/> Dedicated Email Address <input type="checkbox"/> Courier / Hand delivery <input type="checkbox"/> Other Click or tap here to enter text.</p> <p>Bid submission address: procurement@isolaralliance.org</p> <ul style="list-style-type: none"> ▪ File Format: pdf, jpeg, zip ▪ File names must be maximum 60 characters long and must not contain any letter or special character other than from Latin alphabet/keyboard. ▪ All files must be free of viruses and not corrupted. ▪ Max. File Size per transmission: 35 MB ▪ Mandatory subject of email: <u>RFQ for conducting Financial Audit for ISA.</u> ▪ Multiple emails must be clearly identified by indicating in the subject line “email no. X of Y”, and the final “email no. Y of Y”. ▪ It is recommended that the entire Quotation be consolidated into as few attachments as possible. ▪ The bidder should receive an email acknowledging email receipt. <p>[For eTendering method, click the link https://etendering.partneragencies.org and insert Event ID information]</p> <ul style="list-style-type: none"> • Insert BU Code and Event ID number <p>Detailed instructions on how to submit, modify or cancel a bid in the eTendering system are provided in the eTendering system Bidder User Guide and Instructional videos available on this link: https://www.ISA.org/content/ISA/en/home/procurement/business/resources-for-bidders</p>
Cost of preparation of quotation	<p>ISA shall not be responsible for any costs associated with a Supplier’s preparation and submission of a quotation, regardless of the outcome or the manner of conducting the selection process.</p>
Supplier Code of Conduct, Fraud, Corruption,	<p>All prospective suppliers must read the United Nations Supplier Code of Conduct and acknowledge that it provides the minimum standards expected of suppliers to the UN. The Code of Conduct, which includes principles on labour, human rights, environment and ethical conduct may be found at: https://www.un.org/Depts/ptd/about-us/un-supplier-code-conduct</p>

	<p>Moreover, ISA strictly enforces a policy of zero tolerance on proscribed practices, including fraud, corruption, collusion, unethical or unprofessional practices, and obstruction of ISA vendors and requires all bidders/vendors to observe the highest standard of ethics during the procurement process and contract implementation. ISA's Anti-Fraud Policy can be found at http://www.ISA.org/content/ISA/en/home/operations/accountability/audit/office_of_audit_and_investigation.html#anti</p>
Gifts and Hospitality	<p>Bidders/vendors shall not offer gifts or hospitality of any kind to ISA staff members including recreational trips to sporting or cultural events, theme parks or offers of holidays, transportation, or invitations to extravagant lunches, dinners or similar. In pursuance of this policy, ISA: (a) Shall reject a bid if it determines that the selected bidder has engaged in any corrupt or fraudulent practices in competing for the contract in question; (b) Shall declare a vendor ineligible, either indefinitely or for a stated period, to be awarded a contract if at any time it determines that the vendor has engaged in any corrupt or fraudulent practices in competing for, or in executing a ISA contract.</p>
Conflict of Interest	<p>ISA requires every prospective Supplier to avoid and prevent conflicts of interest, by disclosing to ISA if you, or any of your affiliates or personnel, were involved in the preparation of the requirements, design, specifications, cost estimates, and other information used in this RFQ. Bidders shall strictly avoid conflicts with other assignments or their own interests, and act without consideration for future work. Bidders found to have a conflict of interest shall be disqualified.</p> <p>Bidders must disclose in their Bid their knowledge of the following: a) If the owners, part-owners, officers, directors, controlling shareholders, of the bidding entity or key personnel who are family members of ISA staff involved in the procurement functions and/or the Government of the country or any Implementing Partner receiving goods and/or services under this RFQ.</p> <p>The eligibility of Bidders that are wholly or partly owned by the Government shall be subject to ISA's further evaluation and review of various factors such as being registered, operated and managed as an independent business entity, the extent of Government ownership/share, receipt of subsidies, mandate and access to information in relation to this RFQ, among others. Conditions that may lead to undue advantage against other Bidders may result in the eventual rejection of the Bid.</p>
General Conditions of Contract	<p>Any Purchase Order or contract that will be issued as a result of this RFQ shall be subject to the General Conditions of Contract</p> <p>Select the applicable GTC:</p> <p><input checked="" type="checkbox"/> General Terms and Conditions / Special Conditions for Contract.</p> <p><input type="checkbox"/> General Terms and Conditions for de minimis contracts (services only, less than \$50,000)</p> <p><input type="checkbox"/> General Terms and Conditions for Works</p> <p>Applicable Terms and Conditions and other provisions are available at ISA/How-we-buy</p>
Special Conditions of Contract	<p><input checked="" type="checkbox"/> Cancellation of PO/Contract if the delivery/completion is delayed by [indicate number of days]</p> <p><input type="checkbox"/> Others [pls. specify]</p>
Eligibility	<p>A vendor who will be engaged by ISA may not be suspended, debarred, or otherwise identified as ineligible by any UN Organization or the World Bank Group or any other international Organization. Vendors are therefore required to disclose to ISA whether they are subject to any sanction or temporary suspension imposed by these organizations. Failure to do so may result in termination of any contract or PO subsequently issued to the vendor by ISA.</p> <p>It is the Bidder's responsibility to ensure that its employees, joint venture members, sub-contractors, service providers, suppliers and/or their employees meet the eligibility requirements as established by ISA.</p> <p>Bidders must have the legal capacity to enter a binding contract with ISA and to deliver in the country, or through an authorized representative</p> <ol style="list-style-type: none"> 1. Registration with Government Authorized Chartered Institute. Please attach relevant documents.

	<ol style="list-style-type: none"> 2. The bidder should have presence in at least three countries – Please attach relevant documents. 3. The bidder should have undertaken Audit of United Nations and its agencies/Development Sector- Please attach relevant documents. 4. The bidder must have Audit Turnover of more than 15 crores inclusive of all branches - Please attach relevant documents. 5. The bidder should have minimum 15 partners - Please attach relevant documents. 6. The bidder should have Audit experience of Inter-Governmental Organisation for at least two years- Please attach relevant documents. 7. The bidder should have minimum staff strength of 200 persons in last 3 years- Please attach relevant documents. <p>For Key Personnel Proposed: Audit Manager:</p> <ul style="list-style-type: none"> • Qualification: Chartered Accountant • Minimum years of relevant working experience: 10 years • Specific experience/knowledge: knowledge on audits in development sector, preferably UN organizations <p>Senior Auditor:</p> <ul style="list-style-type: none"> • Qualification: Chartered Accountant • Minimum years of relevant working experience: 5 years. • Specific experience/knowledge: knowledge on audits in development sector, preferably UN organizations <p>Junior Auditor:</p> <ul style="list-style-type: none"> • Qualification: Chartered Accountant • Minimum years of relevant working experience: 2 years. Specific experience/knowledge: knowledge on audits in development sector, preferably UN organizations
Currency of Quotation	Quotations shall be quoted in INDIAN RUPEES
Joint Venture, Consortium or Association	If the Bidder is a group of legal entities that will form or have formed a Joint Venture (JV), Consortium or Association for the Bid, they shall confirm in their Bid that : (i) they have designated one party to act as a lead entity, duly vested with authority to legally bind the members of the JV, Consortium or Association jointly and severally, which shall be evidenced by a duly notarized Agreement among the legal entities, and submitted with the Bid; and (ii) if they are awarded the contract, the contract shall be entered into, by and between ISA and the designated lead entity, who shall be acting for and on behalf of all the member entities comprising the joint venture, Consortium or Association. Refer to Clauses 19 – 24 under Solicitation policy for details on the applicable provisions on Joint Ventures, Consortium or Association.
Only one Bid	The Bidder (including the Lead Entity on behalf of the individual members of any Joint Venture, Consortium or Association) shall submit only one Bid, either in its own name or, if a joint venture, Consortium or Association, as the lead entity of such Joint Venture, Consortium or Association. Bids submitted by two (2) or more Bidders shall all be rejected if they are found to have any of the following: a) they have at least one controlling partner, director or shareholder in common; or b) any one of them receive or have received any direct or indirect subsidy from the other/s; or b) they have the same legal representative for purposes of this RFQ; or c) they have a relationship with each other, directly or through common third parties, that puts them in a position to have access to information about, or influence on the Bid of, another Bidder regarding this RFQ process;

	<p>d) they are subcontractors to each other's Bid, or a subcontractor to one Bid also submits another Bid under its name as lead Bidder; or</p> <p>e) some key personnel proposed to be in the team of one Bidder participates in more than one Bid received for this RFQ process. This condition relating to the personnel, does not apply to subcontractors being included in more than one Bid.</p>
Duties and taxes	<p>Article II, Section 7, of the Convention on the Privileges and Immunities provides, inter alia, that the United Nations, including ISA as a subsidiary organ of the General Assembly of the United Nations, is exempt from all direct taxes, except charges for public utility services, and is exempt from customs restrictions, duties, and charges of a similar nature in respect of articles imported or exported for its official use. All quotations shall be submitted net of any direct taxes and any other taxes and duties, unless otherwise specified below:</p> <p>All prices must:</p> <p><input type="checkbox"/> be inclusive of VAT and other applicable indirect taxes</p> <p><input checked="" type="checkbox"/> be exclusive of VAT and other applicable indirect taxes</p>
Language of quotation	ENGLISH
Documents to be submitted	<p>Bidders shall include the following documents in their quotation:</p> <p><input checked="" type="checkbox"/> Annex 2: Quotation Submission Form duly completed and signed</p> <p><input checked="" type="checkbox"/> Annex 3: Technical and Financial Offer duly completed and signed and in accordance with the Schedule of Requirements in Annex 1</p> <p><input checked="" type="checkbox"/> Company Profile.</p> <p><input checked="" type="checkbox"/> Registration certificate;</p> <p><input checked="" type="checkbox"/> List and value of projects performed for the last 3 years plus client's contact details who may be contacted for further information on those contracts;</p> <p><input checked="" type="checkbox"/> List and value of ongoing Projects with ISA and other national/multi-national organization with contact details of clients and current completion ratio of each ongoing project;</p> <p><input checked="" type="checkbox"/> Statement of satisfactory Performance (Certificates) from the top 3 clients in terms of Contract value in similar field;</p> <p><input checked="" type="checkbox"/> Completed and signed CVs for the proposed key Personnel;</p>
Quotation validity period	Quotations shall remain valid for 90 days from the deadline for the Submission of Quotation.
Price variation	No price variation due to escalation, inflation, fluctuation in exchange rates, or any other market factors shall be accepted at any time during the validity of the quotation after the quotation has been received.
Partial Quotes	<p><input checked="" type="checkbox"/> Not permitted</p> <p><input type="checkbox"/> Permitted Insert conditions for partial quotes and ensure that the requirements are properly listed in lots to allow partial quotes</p>
Alternative Quotes	<p><input checked="" type="checkbox"/> Not permitted</p> <p><input type="checkbox"/> Permitted</p>
Payment Terms	<p><input checked="" type="checkbox"/> 100% within 30 days after receipt of goods, works and/or services and submission of payment documentation.</p> <p><input checked="" type="checkbox"/> Other Click or tap here to enter text.</p>
Conditions for Release of Payment	<p><input checked="" type="checkbox"/> Written Acceptance of Services based on full compliance with RFQ requirements</p> <p><input type="checkbox"/> Others [pls. specify]</p>
Contact Person for correspondence,	<p>E-mail address: procurement@isolaralliance.org</p> <p><i>Mr. Sudhakar Upadhyay</i></p>

notifications and clarifications	<p>Attention: Quotations shall not be submitted to this address but to the address for quotation submission above. Otherwise, offer shall be disqualified.</p> <p>Any delay in ISA's response shall be not used as a reason for extending the deadline for submission, unless ISA determines that such an extension is necessary and communicates a new deadline to the Proposers.</p>
Clarifications	<p>Requests for clarification from bidders will not be accepted any later than 5 days before the submission deadline. Responses to request for clarification will be communicated procurement@isolaralliance.org by Mr. Sudhakar Upadhyay</p>
Evaluation method	<p><input checked="" type="checkbox"/> The Contract or Purchase Order will be awarded to the lowest price substantially compliant offer</p>
Evaluation criteria	<p><input checked="" type="checkbox"/> Full compliance with all requirements as specified in Annex 1</p> <p><input checked="" type="checkbox"/> Full acceptance of the General Conditions of Contract</p>
Right not to accept any quotation	<p>ISA is not bound to accept any quotation, nor award a contract or Purchase Order</p>
Right to vary requirement at time of award	<p>At the time of award of Contract or Purchase Order, ISA reserves the right to vary (increase or decrease) the quantity of services and/or goods, by up to a maximum twenty-five per cent (25%) of the total offer, without any change in the unit price or other terms and conditions.</p>
Type of Contract to be awarded	<p><input checked="" type="checkbox"/> Contract for Works</p>
Expected date for contract award.	
Publication of Contract Award	<p>ISA will publish the contract awards valued at USD 100,000 and more on the websites of the CO and the corporate ISA Web site.</p>
Policies and procedures	<p>This RFQ is conducted in accordance with ISA Programme and Operations Policies and Procedures</p>
UNGM registration	<p>Any Contract resulting from this RFQ exercise will be subject to the supplier being registered at the appropriate level on the United Nations Global Marketplace (UNGM) website at www.ungm.org. The Bidder may still submit a quotation even if not registered with the UNGM, however, if the Bidder is selected for Contract award, the Bidder must register on the UNGM prior to contract signature.</p>

ANNEX 1: SCHEDULE OF REQUIREMENTS

ATTACHED AS A SEPARATE DOCUMENT.

ANNEX 2: QUOTATION SUBMISSION FORM

Bidders are requested to complete this form, including the Company Profile and Bidder's Declaration, sign it and return it as part of their quotation along with Annex 3: Technical and Financial Offer. The Bidder shall fill in this form in accordance with the instructions indicated. No alterations to its format shall be permitted and no substitutions shall be accepted.

Name of Bidder:	Click or tap here to enter text.	
RFQ reference:	Click or tap here to enter text.	Date: Click or tap to enter a date.

Company Profile

Item Description	Detail
Legal name of bidder or Lead entity for JVs	Click or tap here to enter text.
Legal Address, City, Country	Click or tap here to enter text.
Website	Click or tap here to enter text.
Year of Registration	Click or tap here to enter text.
Legal structure	Choose an item.
Are you a UNGM registered vendor?	<input type="checkbox"/> Yes <input type="checkbox"/> No If yes, insert UNGM Vendor Number
Quality Assurance Certification (e.g. ISO 9000 or Equivalent) (If yes, provide a Copy of the valid Certificate):	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does your Company hold any accreditation such as ISO 14001 or ISO 14064 or equivalent related to the environment? (If yes, provide a Copy of the valid Certificate):	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does your Company have a written Statement of its Environmental Policy? (If yes, provide a Copy)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does your organization demonstrate significant commitment to sustainability through some other means, for example internal company policy documents on women empowerment, renewable energies or membership of trade institutions promoting such issues (If yes, provide a Copy)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Is your company a member of the UN Global Compact	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Bank Information	Bank Name: Click or tap here to enter text. Bank Address: Click or tap here to enter text. IBAN: Click or tap here to enter text.

SWIFT/BIC: Click or tap here to enter text. Account Currency: Click or tap here to enter text. Bank Account Number: Click or tap here to enter text.				
Previous relevant experience: 3 contracts				
Name of previous contracts	Client & Reference Contact Details including e-mail	Contract Value	Period of activity	Types of activities undertaken

Bidder's Declaration

Yes	No	
<input type="checkbox"/>	<input type="checkbox"/>	Requirements and Terms and Conditions: I/We have read and fully understand the RFQ, including the RFQ Information and Data, Schedule of Requirements, the General Conditions of Contract, and any Special Conditions of Contract. I/we confirm that the Bidder agrees to be bound by them.
<input type="checkbox"/>	<input type="checkbox"/>	I/We confirm that the Bidder has the necessary capacity, capability, and necessary licenses to fully meet or exceed the Requirements and will be available to deliver throughout the relevant Contract period.
<input type="checkbox"/>	<input type="checkbox"/>	Ethics: In submitting this Quote I/we warrant that the bidder: has not entered into any improper, illegal, collusive or anti-competitive arrangements with any Competitor; has not directly or indirectly approached any representative of the Buyer (other than the Point of Contact) to lobby or solicit information in relation to the RFQ ;has not attempted to influence, or provide any form of personal inducement, reward or benefit to any representative of the Buyer.
<input type="checkbox"/>	<input type="checkbox"/>	I/We confirm to undertake not to engage in proscribed practices, , or any other unethical practice, with the UN or any other party, and to conduct business in a manner that averts any financial, operational, reputational or other undue risk to the UN and we have read the United Nations Supplier Code of Conduct : https://www.un.org/Depts/ptd/about-us/un-supplier-code-conduct and acknowledge that it provides the minimum standards expected of suppliers to the UN.
<input type="checkbox"/>	<input type="checkbox"/>	Conflict of interest: I/We warrant that the bidder has no actual, potential, or perceived Conflict of Interest in submitting this Quote or entering a Contract to deliver the Requirements. Where a Conflict of Interest arises during the RFQ process the bidder will report it immediately to the Procuring Organisation's Point of Contact.
<input type="checkbox"/>	<input type="checkbox"/>	Prohibitions, Sanctions: I/We hereby declare that our firm, its affiliates or subsidiaries or employees, including any JV/Consortium members or subcontractors or suppliers for any part of the contract is not under procurement prohibition by the United Nations, including but not limited to prohibitions derived from the Compendium of United Nations Security Council Sanctions Lists and have not been suspended, debarred, sanctioned or otherwise identified as ineligible by any UN Organization or the World Bank Group or any other international Organization.
<input type="checkbox"/>	<input type="checkbox"/>	Bankruptcy: I/We have not declared bankruptcy, are not involved in bankruptcy or receivership proceedings, and there is no judgment or pending legal action against them that could impair their operations in the foreseeable future.
<input type="checkbox"/>	<input type="checkbox"/>	Offer Validity Period: I/We confirm that this Quote, including the price, remains open for acceptance for the Offer Validity.
<input type="checkbox"/>	<input type="checkbox"/>	I/We understand and recognize that you are not bound to accept any Quotation you receive, and we certify that the goods offered in our Quotation are new and unused.
<input type="checkbox"/>	<input type="checkbox"/>	By signing this declaration, the signatory below represents, warrants and agrees that he/she has been authorised by the Organization/s to make this declaration on its/their behalf.

Signature: _____

Name: Click or tap here to enter text.

Title: Click or tap here to enter text.

Date:

ANNEX 3: TECHNICAL AND FINANCIAL OFFER - SERVICES

Bidders are requested to complete this form, sign it and return it as part of their quotation along with Annex 2 Quotation Submission Form. The Bidder shall fill in this form in accordance with the instructions indicated. No alterations to its format shall be permitted and no substitutions shall be accepted.

Name of Bidder:	Click or tap here to enter text.	
RFQ reference:	Click or tap here to enter text.	Date: Click or tap to enter a date.

Technical Offer

Provide the following:

- a brief description of your qualification, capacity and expertise that is relevant to the Terms of Reference.
- a brief methodology, approach and implementation plan;
- team composition and CVs of key personnel

Financial Offer

Provide a lump sum for the provision of the services stated in the Terms of Reference your technical offer. The lump sum should include all costs of preparing and delivering the Services. All daily rates shall be based on an eight-hour working day.

Currency of Quotation: Click or tap here to enter text.

Ref	Description of Deliverables	Price
1.		
2.		
3.		
4.		
5.		
Total Price		

Breakdown of Fees

Personnel / other elements	UOM	Qty	Unit Price	Total Price
Personnel				
e.g /Team Leader	day			
Other expenses				

Other Costs: (please specify)				
Total				

Compliance with Requirements

	You Responses		
	Yes, we will comply	No, we cannot comply	If you cannot comply, pls. indicate counter - offer
Delivery Lead Time	<input type="checkbox"/>	<input type="checkbox"/>	Click or tap here to enter text.
Validity of Quotation	<input type="checkbox"/>	<input type="checkbox"/>	Click or tap here to enter text.
Payment terms	<input type="checkbox"/>	<input type="checkbox"/>	Click or tap here to enter text.
Other requirements [pls. specify]	<input type="checkbox"/>	<input type="checkbox"/>	Click or tap here to enter text.

I, the undersigned, certify that I am duly authorized to sign this quotation and bind the company below in event that the quotation is accepted.	
<i>Exact name and address of company</i> Company Name: Click or tap here to enter text. Address: Click or tap here to enter text. Click or tap here to enter text. Phone No.: Click or tap here to enter text. Email Address: Click or tap here to enter text.	Authorized Signature: Date: Click or tap here to enter text. Name: Click or tap here to enter text. Functional Title of Authorised Signatory: Click or tap here to enter text. Email Address: Click or tap here to enter text.

TERMS OF REFERENCE FOR FINANCIAL AUDITS

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A. Background

KEY INFORMATION ABOUT INTERNATIONAL SOLAR ALLIANCE

There is no specific body in place to address the specific solar technology deployment needs of the solar resource rich countries located between the Tropic of Cancer and the Tropic of Capricorn. Most of these countries are geographically located for optimal absorption of the sun's rays. There is a great amount of sunlight year-round which can lead to cost effective solar power and other end uses with high insolation of almost 300 sunny days in a year. Most of the countries have large agrarian populations. Many countries face gaps in the potential solar energy manufacturing eco-system. Absence of universal energy access, energy equity and affordability are issues common to most of the solar resource rich countries. International Solar Alliance (ISA) is conceived as a coalition of solar resource rich countries to address their special energy needs and will provide a platform to collaborate on addressing the identified gaps through a common, agreed approach. It will not duplicate or replicate the efforts that others (like International Renewable Energy Agency (IRENA), Renewable Energy and Energy Efficiency Partnership (REEEP), International Energy Agency (IEA), Renewable Energy Policy Network for the 21st Century (REN21), United Nations bodies, bilateral organizations etc.) are currently engaged in, but will establish networks and develop synergies with them and supplement their efforts in a sustainable and focused manner.

ISA is a multi country partnership organization with membership from solar resource rich countries between the two tropics. ISA's proposed governance structure consists of an Assembly and a Secretariat.

ISA is an International Inter-government treaty based organization.

TOR is directed to the audit of Financial Statement for the period.

B. ISA Management

Financial management of the funds is now supported by an accounting firm..

C. Consultations with concerned parties

Prior to the start of audit work the auditor will be required to consult with the management. Further, upon completion of the draft audit report and management letter, the auditor will be required to meet with the Management to debrief them on its major findings from the audit and its recommendations for future improvements as well as to seek their feedback thereon.

D. Description of Financial Reports to be audited

These reports are provided along with this Terms of reference.

E. Audit Services Required

- A definition of the entity or the portion of an entity that is subject to audit.
- That the audit will be carried out in accordance with either ISA¹ or INTOSAI² auditing standards.
- That the auditor is required to verify the mathematical accuracy of the FINANCIAL STATEMENT
- That the auditor is required to state in the audit report if the audit was not in conformity with any of the above and indicate the alternative standards or procedures followed.

¹ International Standards on Auditing (ISA) published by the International Auditing and Assurance Standards Board of the International Federation of Accountants

² International Organization of Supreme Audit Institutions

- That the auditor is required to express an opinion as to the overall financial situation of the ISA for the period 01 January 2021 to 31 December 2021, 01 January 2022 to 31 December 2022 & 01 January 2023 to 31 December 2023 will certify:
 1. The Statement of Financial Position for the Audit period;
 2. The Statement of Cash Position (cash and bank balances of the ISA) reported by the ISA for the Audit period; and
 3. The Statement of Assets and Equipment held by the ISA for the Audit period.
- That the auditor is required to, as applicable, report in monetary value, the net financial misstatement of any modified audit opinion (modified opinions can be qualified, adverse, or disclaimer) on the Statement of Expenses (FINANCIAL STATEMENT) where applicable. This should also include prior year non resolved NFM.
- That the auditor/audit firm is required to submit a draft audit report and final report within two weeks of the completion of the Audit.

Note: Audit opinions must be one of the following: (a) unmodified, (b) qualified, (c) adverse, or (d) disclaimer. If the audit opinion is other than “unmodified”, the audit report **must** describe both the nature and amount of the possible effects on the financial statements.

The report should also make a reference to the section of the management letter with regard to the related audit observation number and the action taken or planned to be taken to address and conclusively correct the issues underlying the qualification. A definition of audit opinions is provided in Annex 4.

F. The Audit Report and Management Letter

Audit Report – **VERY IMPORTANT**

The audit report should clearly indicate the auditor’s opinion (Refer to Annex 3 for a sample Audit Report). This would include at least the following:

- That it is a special purpose and confidential report
 - The audit standards that were applied (ISAs, or national standards that comply with one of the ISAs in all material respects)
 - The period covered by the audit opinion
 - The amount of expenses audited
 - The amount of the net financial misstatement of the modified audit opinion on the FINANCIAL STATEMENT, if modified
 - The reason(s) resulting in the issuance of a modified audit opinion, qualified, adverse or disclaimer of opinion (the reason(s) must be also included in the management letter as an audit observation(s))
 - Whether the ISA FINANCIAL STATEMENT - for the period of Audit is adequately and fairly presented and whether the disbursements are made in accordance with the purpose for which funds have been allocated to the ISA.
- (a) A Financial Audit to express an opinion on the ISA’s financial statements that includes:
- Expression of an opinion on whether the statement of expenses presents fairly the expense incurred by the ISA over a specified period in accordance with agreed upon accounting policies and that the expenses incurred were: (i) in conformity with the approved ISA budgets; (ii) for the approved purposes of the ISA; (iii) in compliance with the relevant regulations and rules, policies and procedures of the ISA; and (iv) supported by properly

approved vouchers and other supporting documents. The FINANCIAL STATEMENT is the mandatory and official statement of expenses to be certified.

- Expression of an opinion on the value and existence of the ISA's statement of assets and equipment as at a given date. This statement must include all assets and equipment available as at end of Audit period, and not only those purchased in a given period. Where a ISA does not have any assets or equipment, it will not be necessary to express such an opinion; however, this should be disclosed in the audit report.
- Express an opinion on the value and existence of the cash held by the ISA as at a given date, i.e. end of Audit period. The Audit Firm is required to express an opinion on the Statement of Cash Position where a dedicated bank account for the ISA has been established and/or the ISA holds petty cash. Where the ISA does not hold any cash, this should be disclosed in the audit report.

The Financial Audit will be conducted in accordance with International Standards on Auditing (ISA).

(b) An audit to assess and express an opinion on the ISA's internal controls and systems.

The deliverable will be an audit report similar to a long form management letter that covers the internal control weaknesses identified and the audit recommendations to address them.

The management letter should be along with the audit report and cover the following topics/issues:

- A general review of a ISA's progress and timeliness in relation to progress milestones and the planned completion date. This is not intended to address whether there has been compliance with specific covenants relating to specific performance criteria or outputs. However, general compliance with broad covenants such as implementing the ISA with economy and efficiency might be commented upon but not with the legal force of an audit opinion.
- An assessment of a ISA's internal control system with equal emphasis on: (i) the effectiveness of the system in providing the ISA management with useful and timely information for the proper management of the ISA; and (ii) the general effectiveness of the internal control system in protecting the assets and resources of the ISA.
- A description of any specific internal control weaknesses noted in the financial management of the ISA and the audit procedures followed to address or compensate for the weaknesses. Recommendations to resolve/eliminate the internal control weaknesses noted should be included.

The audit of internal controls and systems will be conducted in accordance with the International Standards on Auditing (ISA).

The management letter should also include the following:

- Audit observations/recommendations (guidelines in Annex 9)
- The categorization of audit observations by risk severity: High, Medium, or Low. Definitions of these categories are given in Annex 6.
- Management comments/response to audit observations and recommendations (ISA management and/or ISA, as applicable).
- Indication of observations that affect the audit opinion (when qualified, adverse or disclaimer of opinion is given).

More detailed guidance for the above general categories is provided below.

Review of ISA progress

As part of the general review of ISA progress, specific steps could include the following:

- Review annual and quarterly work plans, quarterly and annual financial reports,
- Review the annual ISA report including prepared by the implementing partner and assess in terms of compliance with ISA guidelines and whether the implementing partner met its responsibilities for monitoring described in the ISA document or AWP if applicable.

- Review the pace of ISA progress and comment on the causes for delays.

Assessment of internal control

The auditor is required to conduct a general assessment of internal controls according to established internal control standards. An example of established internal control standards and further information is available on the INTOSAI site www.intosai.org (*Guidelines for Internal Control Standards*). The INTOSAI standards are intended for use by government managers as a framework to establish effective internal control structures.

In addition to the above general assessment, additional specific steps should include the following:

- Review the process for procurement/contracting activities and assess whether it was transparent and competitive.
- Review the use, control and disposal of non-expendable equipment and assess whether it is in compliance with ISA Rules and Regulations on Results and Accountability; and also whether the equipment procured met the identified needs and whether its use was in line with intended purposes.
- Review the process for recruiting ISA personnel and consultants and assess whether it was transparent and competitive.

Recommendations for improvement

Recommendations should be directed to a specific entity so there is no confusion regarding who is responsible for implementation. The response of the entity should be included in the management letter, immediately following the recommendation.

ANNEX 1: AUDIT SERVICES REQUIRED

The scope of audit services shall be in accordance with International Standards on Auditing (ISA) and cover the overall management of the ISA's implementation, monitoring and supervision. The audit work should include the review of work plans, progress reports, ISA resources, ISA budgets, ISA expenses, ISA delivery, recruitment, operational and financial closing of ISAs (if applicable) and disposal or transfer of assets. To this effect, the scope of the audit shall cover the following areas as they are performed at the level of the ISA:

Programmes

The Audit work shall cover the Programmes and its implementation.

Human resources

The audit work shall cover the competitiveness, transparency and effectiveness of the recruitment and hiring of personnel and include performance appraisal, attendance control, calculation of salaries and entitlements, payroll preparation and payment, and management of personnel records.

Finance

The audit work shall cover the adequacy of the accounting and financial operations and reporting systems.

These include budget control, cash management, certification and approving authority, receipt of funds, and disbursement of funds, recording of all financial transactions in expense reports, records maintenance and control.

Procurement

The audit work shall cover the competitiveness, transparency and effectiveness of the procurement activities of the ISA in order to ensure that the equipment and services purchased meet the requirement of either the government (or NGO) or ISA and include the following:

- As applicable, delegations of authorities, procurement thresholds, call for bids and proposals, evaluation of bids and proposals and approval/signature of contracts and purchase orders
- Receiving and inspection procedures to determine the conformity of equipment with the agreed specifications and, when applicable, the use of independent experts to inspect the delivery of highly technical and expensive equipment
- Evaluation of the procedures established to mitigate the risk of purchasing equipment that do not meet specifications or is later proven to be defective
- Management and control over the variation orders

The audit work in the area of procurement shall also cover the use of consulting firms and the adequacy of procedures to obtain fully qualified and experienced personnel and assessment of their work before final payment is made.

Asset Management

The audit work shall cover equipment (typically vehicles and office equipment) purchased for use of the ISA. The procedures for receipt, storage, and disposal shall also be reviewed.

Cash Management

The audit work shall cover all cash funds held by the ISA and review procedures for safeguarding of cash.

General Administration

The audit work shall cover travel activities, vehicle management, shipping services, office premises and lease management, office communications and IT systems, and records maintenance.

ANNEX 2: QUALIFICATIONS OF AN AUDITOR

The auditor must be completely impartial and independent from all aspects of management or financial interests in the entity being audited. The auditor should not, during the period covered by the audit nor during the undertaking of the audit, be employed by, serve as director for, or have any financial or close business relationships with any senior participant in the management of the entity. It may be appropriate to remind an auditor of any existing statutory requirements relating to independence and to require an auditor to disclose any relationship that might possibly compromise his/her independence.

The auditor should be experienced in applying either ISA or INTOSAI audit standards, whichever is applicable for the audit. The auditor must employ adequate staff with appropriate professional qualifications and suitable experience with ISA or INTOSAI standards, including experience in auditing the accounts of entities comparable in size and complexity to the entity being audited.

Curriculum vitae (CVs) should be provided to the client by the principal of the firm of auditors who would be responsible for signing the opinion, together with the CVs of managers, supervisors and key personnel proposed as part of the audit team. It would be appropriate to indicate required/minimum professional qualifications necessary for the senior auditors/principals responsible for the audit. CVs should include details on audits carried out by the applicable staff, including on-going assignments indicating capability

and capacity to undertake the audit.

ANNEX 3: SAMPLE AUDIT REPORT

Independent Auditor's report to:

The ISA Director General

I. Sample Independent Auditor's Report on Statement of Expenses (ISA FINANCIAL STATEMENT)

REPORT OF THE INDEPENDENT AUDITORS TO ISA [insert ISA name] (Refer to ISA 700)

We have audited the accompanying Statement of Expenses ("the statement") of the ISA [insert ISA and ISA number(s)], [insert official title of ISA] for the period [insert period covered].

Opinion

Clean Opinion: Option 1: (Unmodified)

In our opinion, the attached statement of expenses presents fairly, in all material respects, the expense of [insert amount in US\$] incurred by the ISA [insert official title of ISA] for the period [insert period covered] in accordance with agreed upon accounting policies [if needed add - and the note to the statement] and were: (i) in conformity with the approved ISA budgets; (ii) for the approved purposes of the ISA; (iii) in compliance with the relevant ISA regulations and rules, policies and procedures; and (iv) supported by properly approved vouchers and other supporting documents.

Modified Opinions (Refer to ISA 705)

Option 2: (Qualified opinion)

In our opinion, except for the effects of the matter described in the Basis for opinion section of our report, the attached statement of expenses presents fairly in all material respects the expenses of [insert amount in US\$] incurred by the ISA [insert official title of ISA] for the period [insert period covered] in accordance with agreed upon accounting policies [if needed add: and the note to the statement] and were: (i) in conformity with the approved ISA budgets; (ii) for the approved purposes of the ISA; (iii) in compliance with the relevant ISA regulations and rules, policies and procedures; and (iv) supported by properly approved vouchers and other supporting documents.

Option 3: (Adverse opinion)

In our opinion, based on the significance of the matter discussed in the Basis for opinion section of our report, the statement of expenses do not present fairly the expenses of [insert amount in US\$] incurred by the ISA [insert official title of ISA] for the period from [insert period covered].

Option 4: (Disclaimer of opinion)

We do not express an opinion on the accompanying statement of expenses. Because of the significance of the matter described in the Basis for opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of expenses of [insert amount in US\$] incurred by the ISA [insert official title of ISA] and audited by us for the period from [insert period covered].

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the statement of expenses section of our report. We are independent of ISA in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for

Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[Add here a description of the basis for the qualified, adverse or disclaimer opinion]

Management responsibilities

Management is responsible for the preparation and fair presentation of the statement for <name/title> ISA and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the statement of expenses is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement of expenses, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Emphasis of Matter *[if applicable (Refer to ISA 706)]*

We draw attention to Note [X] to the accompanying statement of expenses which describes the uncertainty related to the (insert the issue). Our opinion is not qualified in respect of this matter.

Auditor's Name and Signature

Date of the auditor's report

Auditor's address

II. Sample Independent Auditor's Opinion on Statement of Assets and Equipment (Refer to ISA 700)

We have audited the accompanying statement of assets and equipment ("the statement") of the ISA number [insert ISA and ISA number(s)], [insert official title of ISA] as at [insert date].

Opinion

Clean Opinion: Option 1: (Unmodified)

In our opinion, the accompanying statement of assets and equipment presents fairly, in all material respects, the assets and equipment status of the ISA [insert official title of ISA] amounting to [insert amount in US\$] as at xxxx [insert date] in accordance with agreed upon accounting policies [if needed add: set out in the note to the statement].

Modified Opinions (Refer to ISA 705)

Option 2: (Qualified opinion)

In our opinion, except for the effects of the matter described in the Basis for opinion section of our report, the accompanying statement of assets and equipment presents fairly, in all material respects, the balance of inventory of the ISA [insert official title of ISA] amounting to [insert amount in US\$] as at xxxx [insert date] in accordance with agreed upon accounting policies [if needed add: set out in the note to the statement].

Option 3: (Adverse opinion)

In our opinion, because of the significance of the matter discussed in the Basis for opinion section of our report, the accompanying statement of assets and equipment does not present fairly the assets status of the ISA [insert official title of the ISA] amounting to [insert amount in US\$] as at xxxx [insert date] in accordance with agreed upon accounting policies [if needed add: set out in the note to the statement].

Option 4: (Disclaimer of opinion)

We do not express an opinion on the accompanying statement assets and equipment. Because of the significance of the matter described in the Basis for opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of assets and equipment amounting to [insert amount in US\$] as at xxxx [insert date].

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the statement of assets and equipment. We are independent of ISA in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[Add here a description of the basis for the qualified, adverse or disclaimer opinion]

Management responsibilities

Management is responsible for the preparation of the statement of assets and equipment of the ISA, and for such internal control as management determines is necessary to enable the preparation of a statement of assets and equipment that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit

Our objectives are to obtain reasonable assurance about whether the statement of assets and equipment is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement of assets and equipment, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Emphasis of Matter [if applicable (Refer to ISA 706)]

We draw attention to Note [X] to the accompanying statement of expenses which describes the uncertainty related to the (insert the issue). Our opinion is not qualified in respect of this matter.

Auditor's Name and Signature

Date of the auditor's report

Auditor's address

III. Sample Independent Auditor's Report on Statement of Cash Position (Statement of Cash Position is required only if there is separate bank account for each of the ISAs and/or petty cash) (Refer to ISA 700)

We have audited the accompanying statement of cash position ("the statement") of the ISA number [insert ISA and ISA number(s)], [insert official title of ISA] as at XXX.

Opinion

Clean Opinion: Option 1: (Unmodified)

In our opinion, the accompanying statement of cash position presents fairly, in all material respects, the cash and bank balance of the ISA [insert official title of ISA] amounting to [insert amount in US\$] as at xxxx [insert date] in accordance with agreed upon accounting policies [if needed add: set out in the note to the statement.

Modified Opinions (*Refer to ISA 705*)

Option 2: (Qualified opinion)

In our opinion, except for the effects of the matter described in the Basis for opinion section of our report, the accompanying statement of cash position presents fairly, in all material respects, the cash and bank balance of the ISA [insert official title of ISA] amounting to [insert amount in US\$] as at xxxx [insert date] in accordance with agreed upon accounting policies [if needed add: set out in the note to the statement.

Option 3: (Adverse opinion)

In our opinion, because of the significance of the matter discussed in the Basis for opinion section of our report, the accompanying statement of cash position does not present fairly the cash and bank balance of the ISA [insert official title of ISA] amounting to [insert amount in US\$] as at xxxx [insert date] in accordance with agreed upon accounting policies [if needed add: set out in the note to the statement.

Option 4: (Disclaimer of opinion)

We do not express an opinion on the accompanying statement of cash position. Because of the significance of the matter described in the Basis for opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of cash position amounting to [insert amount in US\$] as at xxxx [insert date].

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the statement of cash position section of our report. We are independent of ISA in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[Add here a description of the basis for the qualified, adverse or disclaimer opinion]

Management responsibilities

Management is responsible for the preparation of the statement of cash position of the ISA, and for such internal control as management determines is necessary to enable the preparation of a statement of cash position that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the statement of cash position is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement of cash position, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Emphasis of Matter [if applicable (Refer to ISA 706)]

We draw attention to Note X to the statement of cash position which describes the uncertainty related to the (insert the issue). Our opinion is not qualified in respect of this matter.

Auditor's Name and Signature

Date of the auditor's report

Auditor's address

Date of issuance: _____

AUDITOR'S NAME (Please print): _____

AUDITOR'S SIGNATURE: _____

STAMP AND SEAL OF AUDIT FIRM: _____

AUDIT FIRM ADDRESS: _____

AUDIT FIRM TEL. NO. _____

Note: Audit opinions must be one of the following: (a) unmodified, (b) qualified, (c) adverse, or (d) disclaimer. If the audit opinion is other than “unmodified” the audit report must describe both the nature and amount of the possible effects on the ISA financial statement (FINANCIAL STATEMENT) (Amount of qualification). A definition of audit opinions is provided in Annex 4.

ANNEX 4: DEFINITION OF AUDIT OPINIONS

Unmodified (Clean) Opinion (ISA³ 700)

An unmodified opinion should be expressed when the auditor concludes that the financial statements give a true and fair view (or are presented fairly, in all material respects) in accordance with the applicable financial reporting framework.

An unmodified opinion indicates implicitly that any changes in accounting policies or in the method of their application, and the effects thereof, have been properly determined and disclosed in the financial statements.

Emphasis of Matter (ISA 706)

If the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements, the auditor shall include an Emphasis of Matter paragraph in the auditor's report provided the auditor has obtained sufficient appropriate audit evidence that the matter is not materially misstated in the financial statements. Such a paragraph shall refer only to information presented or disclosed in the financial statements.

An emphasis of matter is not considered a modified opinion.

Qualified Opinion (ISA 705)

The auditor expresses a qualified opinion when:

- (a) The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or
- (b) The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

Disclaimer of opinion (ISA 705)

The auditor disclaims an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

The auditor shall disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements.

Adverse Opinion (ISA 705)

The auditor shall express an adverse opinion when, having obtained sufficient appropriate audit evidence, s/he concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

Annex 5: International Standards on Auditing (ISA) 450 and 710

Guidance on Reporting Prior Year Modified opinion not properly corrected or resolved

Following the International Standards on Auditing (ISA) 450 and ISA 710 that came into effect on December 2010 there is a requirement regarding a previous year modified audit opinion⁴ This audit standard requires that auditors, when expressing an opinion on this year's statements, to take into account the possible effect of a prior year modified opinion that has not been properly corrected or resolved.

Consequently, a previous year modified opinion that has not been properly resolved may cause the auditors to issue a modified opinion in their current year audit report. If proper attention is not paid to this aspect, the risk could be a significant accumulation of unresolved modified opinions from previous

³ ISA = International Standards on Auditing

⁴ A "modified" audit opinion means either a qualified opinion, a disclaimer of opinion or an adverse opinion.

years that would lead the UN BoA to issue a modified audit opinion on ISA financial statements.

ANNEX 6: Priority of Audit Observations and Recommendations

High	Prompt action is required to ensure that ISA is not exposed to high risks, i.e. failure to take action could result in major negative consequences and issues.
Medium	Action is required to ensure that ISA is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for ISA.
Low	Action is desirable and should result in enhanced control or better value for money.

ANNEX 7 TEMPLATE FOR AUDITORS TO REVIEW AND SIGN THE UPDATED ACTION PLANS FOR PRIOR YEAR AUDIT OBSERVATIONS AND RECOMMENDATIONS

Award no.:		Output No.:			Opinion Type:							
Obs No	Observation	Recommendation	Audit Area	Risk Severity	Proj/CO Mngt Comments	Action(s) Planned	Target Impl. Date	Action Unit	Person Responsible for Action	Updated Status	Actual Impl. Date	Description of Status Update
Award no.:		Output No.:			Opinion Type:							
Obs No	Observation	Recommendation	Audit Area	Risk Severity	Proj/CO Mngt Comments	Action(s) Planned	Target Impl. Date	Action Unit	Person Responsible for Action	Updated Status	Actual Impl. Date	Description of Status Update
Award no.:		Output No.:			Opinion Type:							
Obs No	Observation	Recommendation	Audit Area	Risk Severity	Proj/CO Mngt Comments	Action(s) Planned	Target Impl. Date	Action Unit	Person Responsible for Action	Updated Status	Actual Impl. Date	Description of Status Update

ISA Headquarter/Secretariate

Signature of ISA Official: _____

Name and title (print): _____

Date: _____

Government Auditors/Audit Firm

Signature of Audit firm Official: _____

Name and title (print): _____

Date: _____

Stamp and Seal of audit firm: _____

Note: The values for the "Updated Status" could be: Implemented, In Progress, Not Implemented, N/A or Withdrawn. "N/A" means not applicable and would be used if there is an overall change in a ISA's working environment that makes last year's audit observation no longer applicable. For example, the ISA has been closed. Another example for using "N/A" is a ISA that had its own bank account and last year' audit recommendation called for the need to perform monthly bank reconciliation. However the following year, the auditor notes that the bank account has been closed. "Withdrawn" would be used if there is an overall change in a ISA's working environment that makes last year's audit observation and recommendation no longer valid. "Withdrawn" is very rarely used.

ANNEX 8: TEMPLATE FOR AUDIT DATA AND OBSERVATIONS

The information in the four tables below should be completed by the auditors and signed. The CO can obtain the electronic version of the word document and copy and paste the information in CARDS for each ISA/ISA audit report.

Table 1 - Template for auditors to report on the audit of the Financial Statement

ISA (FINANCIAL STATEMENT) as at 31 December 2017							
1	Project No.	Output No.	Amount audited and certified (US\$)	Audit opinion (unqualified, qualified, adverse, disclaimer)	Total amount of qualification of audit opinion (if qualified, adverse or disclaimer of opinion)	Reason(s) for qualification of audit opinion and breakdown of NFM amount (US)	Observation(s) that had impact on qualification of audit opinion (list observation number(s) and page of audit report/management letter)

Table 2 - Template for auditors to report on the audit of the statement of cash position

Statement of Cash Position				
Project No.	Output No.	Value of Cash Position Statement as at 31 December 2017 (US\$)	Audit Opinion - Statement of Cash Position	Total amount of qualification - Statement of Cash Position (US\$)

Table 3 – Template for auditors to report on the audit of the statement of assets and equipment

Statement of assets and equipment				
Project No.	Output No.	Value of assets and equipment as at 31 December 2017 (cumulative from ISA start date) (US\$)	Audit Opinion - Statement of Assets and Equipment	Total amount of qualification on the Statement of assets and equipment (US\$)

Table 4 - Template for auditors to report on current year audit observations and recommendations

Project No.	Output No.	Observ. No.	Audit Observation	Recommendation	Audit Area	Risk Severity	ISA/CO Mngmt. Comments

Name and position of Auditor: _____

Signature of Auditor: _____ Date: _____

Name and stamp of Audit Firm: _____

ANNEX 9: GUIDANCE OF FORMULATING AUDIT OBSERVATIONS AND RECOMMENDATIONS

The purpose of this note is to provide guidance on formulating audit observations and recommendations that are effective.

Effective audit observations should consist of four (4) common elements:

- 1) Condition
- 2) Criteria
- 3) Effect, potential impact or Risk
- 4) Recommendation

Items 1 to 3 must be part of what constitutes an audit observation. Below are helpful tips on each of these areas.

CONDITION

The "Condition" refers to a conclusion, problem, or opportunity noted during the audit review. It directly addresses a control objective or some other standard of performance. Sample condition statements include:

- "The appropriate individual did not authorize this document."
- "The account has not been reconciled for three months."
- "The process can be streamlined to save six hours per day."

When documenting the condition, it is important to include the necessary level of detail in the description of the problem. Someone who has not participated in the audit, but has some basic understanding of the subject matter or function, should be able to comprehend any condition statement.

CRITERIA

This element describes the standard being used as the benchmark for evaluation. In other words, it depicts the ideal condition. The criteria may reference a specific policy, procedure, or government regulation. At other times, the criteria may simply be a matter of common sense or prudent business practice. For example, a criteria statement might state that "Per policy #1234, all loans greater than \$100,000 must be approved by the board of directors;" or "Payroll processing responsibilities should be segregated to control the authorization of master file changes."

EFFECT, POTENTIAL IMPACT OR RISK

The effect statement describes the particular risk that could exist (the potential impact or risk) or that has already existed (the effect) as a result of the condition or problem. Basically, it answers the question, "so what?" Effect statements often discuss the potential for loss, noncompliance, or customer dissatisfaction created by the problem.

Management is likely to zero in on the information provided in this aspect of the audit observation, as it allows them to see how the condition will negatively impact their activities. As a result, the effect statement often serves as the catalyst for a positive change.

One note of caution is in order - the risk suggested by the effect statement should not be overblown or exaggerated. While auditors are responsible for pointing out risks associated with control breakdowns, the effect statement should remain reasonable, plausible and should not be worded as if the world were coming to an end. If auditees are to take the audit observation seriously and respect what an auditor has to say, an auditor talks about risk in realistic, not exaggerated, terms.

Risk Levels

In addition to explaining the and giving details about the “Effect, potential impact or risk” in the text of an audit observation, ISA requires that the auditor also identifies the risk level in the audit report by using one of the following 3 pre-established risk levels:

High	Prompt action is required to ensure that ISA is not exposed to high risks, i.e. failure to take action could result in major negative consequences and issues.
Medium	Action is required to ensure that ISA is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for ISA.
Low	Action is desirable and should result in enhanced control or better value for money.

RECOMMENDATION

This aspect suggests how the situation might be remedied. An effective recommendation directly relates to and targets the cause. It isn't enough to state in general terms that management should fix the problem; the recommendation statement should also explain how remediation is to be achieved.

A good recommendation maintains the proper balance between the risk presented and the cost to control it. Before making a recommendation, the auditor should consider the following questions:

Does the recommendation solve the problem and eliminate or reduce the risk?

- Can the recommendation be implemented within the current environment?
- Is the recommendation cost-effective?
- Will the recommendation act as a temporary bandage or a permanent solution?

Examples of effective recommendations include monthly or quarterly physical inventories of all assets and equipment with reconciliation to appropriate records.

ADDITIONAL TIPS

Playing devil's advocate can be an extremely helpful exercise. After completing the audit observation and recommendation, auditors should place themselves in the auditees' shoes and challenge/question the validity of the issue. If the issue cannot stand up to this exercise, it probably should not be included in the audit report.

ISA 320

ISA 320 deals with the auditor's responsibility to apply the concept of materiality in planning and performing an audit of financial statements.

Financial reporting frameworks often discuss the concept of materiality in the context of the preparation and presentation of financial statements. Although financial reporting frameworks may discuss materiality in different terms, they generally explain that:

- Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;
- Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and
- Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.

For purposes of the ISAs, performance materiality means the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. If applicable, performance materiality also refers to the amount or amounts set by the auditor at less than the materiality level or levels for particular classes of transactions, account balances or disclosures.

When establishing the overall audit strategy, the auditor shall determine materiality for the financial statements as a whole. If, in the specific circumstances of the entity, there is one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements, the auditor shall also determine the materiality level or levels to be applied to those particular classes of transactions, account balances or disclosures.

The auditor shall determine performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures.

The auditor shall revise materiality for the financial statements as a whole (and, if applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures) in the event of becoming aware of information during the audit that would have caused the auditor to have determined a different amount (or amounts) initially.

If the auditor concludes that a lower materiality for the financial statements as a whole (and, if applicable, materiality level or levels for particular classes of transactions, account balances or disclosures) than that initially determined is appropriate, the auditor shall determine whether it is necessary to revise performance materiality, and whether the nature, timing and extent of the further audit procedures remain appropriate.

ISA 450

ISA 450 deals with the auditor's responsibility to evaluate the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements.

Each individual misstatement is considered to evaluate its effect on the relevant classes of transactions, account balances or disclosures, including whether the materiality level for that particular class of transactions, account balance or disclosure, if any, has been exceeded.

The circumstances related to some misstatements may cause the auditor to evaluate them as material, individually or when considered together with other misstatements accumulated during the audit, even if they are lower than materiality for the financial statements as a whole. Circumstances that may affect the evaluation include the extent to which the misstatement:

- Affects compliance with regulatory requirements;
- Relates to the incorrect selection or application of an accounting policy that has an immaterial effect on the current period's financial statements but is likely to have a material effect on future periods' financial statements;
- Is an omission of information not specifically required by the applicable financial reporting framework but which, in the judgment of the auditor, is important to the users' understanding of the financial position, financial performance of the entity.

The cumulative effect of immaterial uncorrected misstatements related to prior periods may have a material effect on the current period's financial statements. There are different acceptable approaches to the auditor's evaluation of such uncorrected misstatements on the current period's financial statements. Using the same evaluation approach provides consistency from period to period.
