

Supplementary Guidelines:

Terms of Reference (ToR): External Audit of the Projects

Please see additional instructions underlined in **yellow** to be shared with your auditor.

1. Referring to section 10. of the ToR: “ Management Letter / Statement of Internal Control”

- a) **A separate Annex shall be prepared with the findings from the report from the previous year and current findings to be attached to the Management letter (standardized Management letter)**
- b) **Following Classification Matrix of Observations for the Management Letter shall be used:**

Risk/ Priority	Indications for classification, e.g.,
High	<ul style="list-style-type: none"> - An internal control weakness, high business risk area or non-compliance with legislation or regulation which is of such a serious nature that the organisation could suffer material financial loss and the matter requires management’s immediate attention for resolution. - Material non-compliance with the financing agreement or special agreement
Medium	<ul style="list-style-type: none"> - An internal control weakness, area of business risk or non-compliance with legislation or regulation considered to be of such a nature that it should receive management’s attention over a reasonable period (not exceeding six months)
Low	<ul style="list-style-type: none"> - An issue which does not necessarily warrant immediate attention, but which should have an agreed programme for resolution within a reasonable time. - These matters generally include recommendations which will lead to a general improvement in the control environment over time or could improve efficiency or profitability

Part 1: Follow up status on previous observations and recommendations

#	Observation	Amount affected (if possible)	Classification (H, M, L)	Auditor’s recommendation	Management’s comments and suggested action incl. timeline	Auditor’s statement (cleared / not cleared)
1						
2						
3						
4						
etc.						

Part 2: Current year observations and recommendations

#	Observation (please start with a detailed description of the observation)	Amount affected (if possible)	Classification (H, M, L)	Auditor's recommendation	Management's comments and suggested action incl. timeline
1					
2					
3					
4					
etc.					

In case there are no observations to be taken into the management letter the auditor specifies a statement by confirming that no management letter has been issued by stating the reason(s) and also submitting the tables under Part 1 & 2 with Nil observations.

2. Referring to Annex a of the ToR on the auditors conclusions on the following criteria

Annex A [to be attached to every Report]

Applied Criteria	Conclusion (YES/NO)*	Summary of work performed (see para. 69 of ISAE 3000)
a) The payments out of the bank account(s) have been made in accordance with the conditions of the Relevant Agreements. Where ineligible expenditures are identified, these should be noted separately in the Report.	In case of NO, please ensure to provide a guiding note to explain the reason of NO. In case there is waiver provided by PATIRP Foundation, the note shall explain the same and YES shall be specified here.	
(b) The bank account(s) has (have) been maintained in accordance with the provisions of the Relevant Agreements. This also comprises cash flows to and from accounts opened or used under the Relevant Agreements as mentioned under paragraph 1 in the Terms of Reference, as well as interest earned from balances.	In case of NO, please ensure to provide a guiding note to explain the reason of NO. In case there is waiver provided by PATIRP Foundation, the note shall explain the same and YES shall be specified here.	
c) Expenditures are supported by relevant and reliable evidence (such as contracts, invoices, guarantees etc.). There were no indications that these expenditures had already been financed by other sources. In addition, project receivables (such as advances, tax claims etc.) paid in former Reporting Periods		

have been cleared and been used for project purposes, supported by relevant and reliable evidence.		
d) The Statements of Expenditures (SOE) referred to in the Report can be relied upon to support the related disbursement requests. Clear linkage exists between the Statements of Expenditures (SOE), the disbursement requests presented to PATRIP Foundation and the accounting records at the Implementing Partner.		
e) The procurement process of goods and services financed was in accordance with the Relevant Agreements and according to the procurement guidelines of PATRIP Foundation.		
f) No other important findings and observations have been disclosed during the engagement.	In case there are no significant findings that would result in a qualified status for the audit report, please indicate "YES."	
g) All observations raised in former reports have been solved by now (for details please refer to page) – not applicable in case of first report hereunder.	Only related to significant findings that have resulted in a qualified status for the former audit report.	

* Only in case of substantial/material findings that would result in a qualified audit opinion the conclusion should be NO and requires a guiding note to explain the reason of NO.

3. Referring to Annex B of the ToR on the financial flows

Annex B has to reflect the project related inflows and outflows from designated bank accounts. In case of the use of pooled (general) bank accounts instead of the bank balances the accounting balances for the audited project for EUR and local currency shall be reflected. The accounting balances can be tracked back to the donor project chart of accounts.