

<Annex 3 Systems Audit Report (design and operating effectiveness of Internal Control Systems)>

<AUDITOR'S LETTERHEAD>

[DRAFT, PRE-FINAL OR FINAL] REPORT¹

[date]

<for the final report this is the date on which the final Independent Auditor's Report is signed;
for a draft or pre-final report this is the date on which these reports are sent for consultation>

SYSTEMS AUDIT
Design and operating effectiveness of the Internal Control System
OF [TITLE OF THE PROJECT]

Entity subject to Audit:	[Entity name]
Country:	[Country where the project is implemented]
Contracting Authority:	[]
Audit Framework Service Contract:	[]
	<i><remove if the Auditor has not signed an AFC></i>
Audit Module N°	[as per Audit Module]
Practitioner:	[Audit firm and office having responsibility for the audit]
Period subject to audit:	[date] to [date]
Dates of audit fieldwork:	[[date] to [date]
Project status:	[indicate ongoing or completed]

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INDEPENDENT AUDITOR'S REPORT – SYSTEMS AUDIT5

¹
The Contracting Authority (UfMS) has requested this report. The views expressed in this report are those of the external auditor and in no way reflect the official opinion of the UfMS. This report is intended solely for the information and use of the Contracting Authority (UfMS) for the purpose of its control of the use of funds of the project concerned by the audit. It may be disclosed to Donors and authorities having regulatory right of access to it. This report should not be used by any other party or for other than its intended purpose.
Version November 2024

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INSTRUCTIONS FOR USING THIS MODEL REPORT

This model report for a **systems audit** of the **design and operating effectiveness of the Internal Control System** provides a report format and structure for the Auditor and it also includes guidance for the content of the report sections.

- All grey shaded text in *<Italic>* is guidance which should be removed.
- All text which is **not** grey shaded can be used by the Auditor for drawing up the report. The Auditor can modify text as he/she sees fit **except for the prescribed text of the Independent Auditor's report.**
- This model report includes **four** formats for the **Independent Auditor's Report** for a **Systems Audit** of the **design and operating effectiveness of the Internal Control System**: unqualified, qualified and adverse opinion and disclaimer of opinion.

Models which do not apply should be fully removed.

The prescribed text and wording of the Independent Auditor's Assurance Report for a Systems Audit should be respected at all times and not be changed.

This instruction page should be removed from the report

GUIDANCE FOR AUDIT OPINIONS

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

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

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

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

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

Independent Auditor's Report – Systems Audit

Design and operating effectiveness of the Internal Control System

<Format for an unqualified opinion>

<Name, Address and Department of the Contracting Authority>

We have audited the Internal Control System set up and operated by [name], the 'Entity' for the project entitled [title of the project], the 'Project' and for the purpose of managing risks to the achievement of the objectives of the Project. These risks include risks to the Project funding not being used in conformity with the applicable Contractual Conditions as set out in section 2.2 of our report and the risk of error, irregularities and fraud with regard to Project funding.

This systems audit covers the design and operating effectiveness of the Internal Control System in the period from [date] to [date].

Our findings are set out in the relevant sections of our report, which is made solely to the Contracting Authority in order to gain assurance that risks to the achievement of the objectives of the Project are properly managed and controlled.

Responsibilities of the Entity's management

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

Responsibilities of the Practitioner

Our responsibility is to audit the Internal Control System and to report our findings to the Contracting Authority in accordance with the Tender Specifications for the audit engagement. These specify that we should carry out our work in accordance with the International Standard on Assurance Engagements 3000 (Revised)

Our firm applies International Standard on Quality Management (ISQM) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Board of for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Scope of the audit

The scope of our audit is set out in our Tender Specifications as noted in Section 3 of our report. It includes an assessment of the main risks to the achievement of the objectives of the Project including risks to the Project funding provided not being used in conformity with the applicable Contractual Conditions and the risk of error, irregularities and fraud with regard to Project funding. The scope of our audit includes an assessment of whether the design of the Internal Control System sufficiently mitigates those risks and whether it is operating effectively.

Our work is designed to concentrate only on the key internal controls of the Entity and specifically those relating to the Project which are designed to prevent and detect material errors, irregularities or fraud with regard to the Project funding.

For the purpose of determining what is a material weakness or deficiency in the Internal Control System we have assessed whether the absence or failure of a control or a series of controls results in a significant risk of material error, irregularity or fraud in the use of the Project funds provided by the Contracting Authority.

Accordingly, our findings cannot be relied upon to disclose every weakness in internal control that may exist at the Entity or Project level. Additionally, although our audit scope includes consideration of qualitative as well as quantitative factors, it is not a performance audit and therefore concentrates on financial internal controls rather than operational controls.

We have taken into account all the available evidence presented to us during our fieldwork which we finalised on [date of closing meeting], including the subsequent comments and information of the Entity and of the Contracting Authority up to the date of this report.

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

Unqualified Opinion

In our opinion the Internal Control System set up and operated by the Entity for the purpose of managing material risks to the achievement of the objectives of the Project, was suitably designed and operated effectively in the period from [date] to [date].

Emphasis of Matter *<remove this paragraph if not applicable>*

Without qualifying our opinion we draw your attention to the findings as set out in Section 4 of our report detailing minor weaknesses in the Internal Control System. As these weaknesses do not pose a significant risk to the achievement of the objectives of the Project, they are not considered to be material in the context of our audit. Nevertheless, we report them to you in accordance with our Tender Specifications in order that they may be brought to the attention of the Entity and remedied in order to further strengthen the Internal Control System.

Distribution and Use

The Contracting Authority has requested this report and it is intended solely for the information and use of the Contracting Authority and the Entity.

Auditors' signature *<person or firm or both, as appropriate>*.

Name of Auditor signing *<person or firm or both, as appropriate>*.

Auditor's address *<office having responsibility for the audit>*.

Date of signature *<not be used for draft reports. The date when the **final** report is signed.>*

Independent Auditor's Report – Systems Audit

Design and operating effectiveness of the Internal Control System

<Format for a qualified opinion>

<Name, Address and Department of the Contracting Authority>

We have audited the Internal Control System set up and operated by [name], the 'Entity' for the project entitled [title of the project], the 'Project' and for the purpose of managing risks to the achievement of the objectives of the Project. These risks include risks to the Project funding provided not being used in conformity with the applicable Contractual Conditions as set out in section 2.2 of our report and the risk of error, irregularities and fraud with regard to Project funding.

This systems audit covers the design and operating effectiveness of the Internal Control System in the period from [date] to [date].

Our findings are set out in the relevant sections of our report, which is made solely to the Contracting Authority in order to gain assurance that risks to the achievement of the objectives of the Project are properly managed and controlled.

Responsibilities of the Entity's management

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

Responsibilities of the Practitioner

Our responsibility is to audit the Internal Control System and to report our findings to the Contracting Authority in accordance with the Tender Specifications for the audit engagement. These specify that we should carry out our work in accordance with the International Standard on Assurance Engagements 3000 (Revised)

Our firm applies International Standard on Quality Management (ISQM) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Board of for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Scope of the audit

The scope of our audit is set out in our Tender Specifications as noted in Section 3 of our report. It includes an assessment of the main risks to the achievement of the objectives of the Project including risks to the Project funding provided not being used in conformity with the applicable Contractual Conditions and the risk of error, irregularities and fraud with regard to Project funding. The scope of our audit includes an assessment of whether the design of the Internal Control System sufficiently mitigates those risks and whether it is operating effectively.

Our work is designed to concentrate only on the key internal controls of the Entity and specifically those relating to the Project which are designed to prevent and detect material errors, irregularities or fraud with regard to the Project funding.

For the purpose of determining what is a material weakness or deficiency in the Internal Control System we have assessed whether the absence or failure of a control or a series of controls results in a significant risk of material error, irregularity or fraud in the use of the Project funds provided by the Contracting Authority.

Accordingly, our findings cannot be relied upon to disclose every weakness in internal control that may exist at the Entity or Project level. Additionally, although our audit scope includes consideration of qualitative as well as quantitative factors, it is not a performance audit and therefore concentrates on financial internal controls rather than operational controls.

We have taken into account all the available evidence presented to us during our fieldwork which we finalised on [date of closing meeting], including the subsequent comments and information of the Entity and of the Contracting Authority up to the date of this report.

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

Basis for Qualified Opinion

We refer to our findings as set out in Section 1 (Summary of Findings) of our report detailing significant weaknesses in the Internal Control System and which therefore pose a substantial risk to the achievement of the objectives of the Project. The effects of these weaknesses to the design and operating effectiveness of the Internal Control System are considered to be material in the context of our audit.

[We were unable to obtain sufficient appropriate audit evidence about [describe issues] because [describe reasons / circumstances]. The effects of this to the design and operating effectiveness of the Internal Control System are material but not pervasive in the context of our audit.]

Qualified Opinion

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

Distribution and Use

The Contracting Authority has requested this report and it is intended solely for the information and use of the Contracting Authority and the Entity.

Auditors' signature <person or firm or both, as appropriate>.

Name of Auditor signing <person or firm or both, as appropriate>.

Auditor's address <office having responsibility for the audit>.

Date of signature <not be used for draft reports. The date when the **final** report is signed.>

Independent Auditor's Report – Systems Audit

Design and operating effectiveness of the Internal Control System

<Format for an adverse opinion>

<Name, Address and Department of the Contracting Authority>

We have audited the Internal Control System set up and operated by [name], the 'Entity' for the project entitled [title of the project], the 'Project' and for the purpose of managing risks to the achievement of the objectives of the Project. These risks include risks to the Project funding provided not being used in conformity with the applicable Contractual Conditions as set out in section 2.2 of our report and the risk of error, irregularities and fraud with regard to Project funding.

This systems audit covers the design and operating effectiveness of the Internal Control System in the period from [date] to [date].

Our findings are set out in the relevant sections of our report, which is made solely to the Contracting Authority in order to gain assurance that risks to the achievement of the objectives of the Project are properly managed and controlled.

Responsibilities of the Entity's management

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

Responsibilities of the Practitioner

Our responsibility is to audit the Internal Control System and to report our findings to the Contracting Authority in accordance with the Tender Specifications for the audit engagement. These specify that we should carry out our work in accordance with the International Standard on Assurance Engagements 3000 (Revised)

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We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Board of for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Scope of the audit

The scope of our audit is set out in our Tender Specifications as noted in Section 3 of our report. It includes an assessment of the main risks to the achievement of the objectives of the Project including risks to the Project funding provided not being used in conformity with the applicable Contractual Conditions and the risk of error, irregularities and fraud with regard to Project funding. The scope of our audit includes an assessment of whether the design of the Internal Control System sufficiently mitigates those risks and whether it is operating effectively.

Our work is designed to concentrate only on the key internal controls of the Entity and specifically those relating to the Project which are designed to prevent and detect material errors, irregularities or fraud with regard to the Project funding.

For the purpose of determining what is a material weakness or deficiency in the Internal Control System we have assessed whether the absence or failure of a control or a series of controls results in a significant risk of material error, irregularity or fraud in the use of the Project funds provided by the Contracting Authority.

Accordingly, our findings cannot be relied upon to disclose every weakness in internal control that may exist at the Entity or Project level. Additionally, although our audit scope includes consideration of qualitative as well as quantitative factors, it is not a performance audit and therefore concentrates on financial internal controls rather than operational controls.

We have taken into account all the available evidence presented to us during our fieldwork which we finalised on [date of closing meeting], including the subsequent comments and information of the Entity and of the Contracting Authority up to the date of this report.

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

Basis for Adverse Opinion

We refer to our findings as set out in Section 1 (Summary of Findings) of our report detailing fundamental weaknesses in the Internal Control System and which therefore pose a critical risk to the achievement of the objectives of the Project. The effects of these weaknesses to the design and operating effectiveness of the Internal Control System are considered to be both material and pervasive in the context of our audit.

[We were unable to obtain sufficient appropriate audit evidence about [describe issues] because [describe reasons / circumstances]. The effects of this to the design and operating effectiveness of the Internal Control System are material and pervasive in the context of our audit.]

Adverse Opinion

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

Distribution and Use

The Contracting Authority has requested this report and it is intended solely for the information and use of the Contracting Authority and the Entity.

Auditors' signature <person or firm or both, as appropriate>.

Name of Auditor signing <person or firm or both, as appropriate>.

Auditor's address <office having responsibility for the audit>.

*Date of signature <not be used for draft reports. The date when the **final** report is signed.>*

Independent Auditor's Report – Systems Audit

Design and operating effectiveness of the Internal Control System

<Format for a disclaimer of opinion>

<Name, Address and Department of the Contracting Authority>

We have been engaged to audit the Internal Control System set up and operated by [name], the 'Entity' for the project entitled [title of the project], the 'Project' and for the purpose of managing risks to the achievement of the objectives of the Project. These risks include risks to the Project funding provided not being used in conformity with the applicable Contractual Conditions as set out in section 2.2 of our report and the risk of error, irregularities and fraud with regard to Project funding.

The purpose of this systems audit was to cover the design and operating effectiveness of the Internal Control System in the period from [date] to [date].

Responsibilities of the Entity's management

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

Responsibilities of the Practitioner

Our responsibility is to audit the Internal Control System and to report our findings to the Contracting Authority in accordance with the Tender Specifications for the audit engagement. These specify that we should carry out our work in accordance with the International Standard on Assurance Engagements 3000 (Revised)

Our firm applies International Standard on Quality Management (ISQM) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Board of for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Basis for Disclaimer of Opinion

The scope of our audit is set out in the Tender Specifications as noted in Section 3 of our report. We were unable to obtain sufficient appropriate audit evidence about the [describe issues] because [describe reasons / circumstances]. The possible effects of this to the design and operating effectiveness of the Internal Control System could be both material and pervasive in the context of our audit. As a result of this uncertainty we do not have a basis for an opinion.

Disclaimer of Opinion

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

Distribution and Use

The Contracting Authority has requested this report, and it is intended solely for the information and use of the Contracting Authority and the Entity.

Auditors' signature <person or firm or both, as appropriate>.

Name of Auditor signing <person or firm or both, as appropriate>.

Auditor's address <office having responsibility for the audit>.

*Date of signature <not be used for draft reports. The date when the **final** report is signed.>*

1 Summary of Findings

<Provide a summary (2-3 pages) of the detailed internal control findings in Chapter 4.>

1.1 Summary of Internal Control Findings

Our detailed internal control findings in Section 4 can be summarised as follows:

Finding n°.	Internal control issue	Title	Priority (1)	Entity comments
1	[same as in Section 3.1]	[same title as in Section 4]	[level 1,2 or 3]	[agreed / disagreed]
2				
3				
Etc				

(1) Priority level of the recommendation (see Section 4).

1.2 Key Audit Data for the Audit Module

The summary tables below contain **key audit data** and are solely for **use of the Contracting Authority** for internal reporting purposes in the **Audit Module**.

Type of audit	Systems audit - design and operating effectiveness of the Internal Control System
Type of systems audit opinion	[Qualified, Unqualified, Adverse, Disclaimer]

Internal Control Findings					
N°	internal control issue	number (1) findings priority 1	number findings priority 2	number findings priority 3	total number of findings
1	No documentation or inadequate documentation				
2	Accounting system and procedures				
3	Financial reporting system and procedures				
4	IT systems and procedures (computerised information systems)				
5	Control environment				
6	Asset management including related procurement process and procedures				
7	Cash and bank management (treasury)				
8	Expenditure control including related procurement process and procedures				
9	Human resources and payroll management				
10	Other				
	Total internal control findings				

(1) This is the number of times a finding for the compliance issue concerned was made. For priority levels for ranking the recommendations relating to the findings see Section 4.

2 The Engagement Context

<This Chapter should contain a description of the engagement context of maximum 8 pages. Information in the TS and related documents (e.g. TS Annex) can be taken.>

2.1 Reason for the Audit

<Describe whether the audit was foreseen in an Audit Plan and for what reason i.e. risk based or mandatory.>

2.2 Contractual Conditions

<Describe agreements, contracts and other regulatory and contractual documents which set out the Contractual Conditions for the Project. These may include:

- ✓ Basic Regulations, Financing and other Agreements and related documents*
- ✓ External aid contracts for works, services, supplies or grants, programme estimates and related documents*

Where applicable annexes and amendments (i.e. riders) to agreements, contracts etc. should be mentioned. If the Project is implemented through a series of contracts or other documents (e.g. programme estimates) describe which contracts were covered by the audit and which ones were excluded and for what reasons.>

2.3 Project subject to Audit

<Describe the characteristics of the Project subject to audit and its context including:

- ✓ The background and history of the Project*
- ✓ A description of the Project, objectives, results, main activities, Project locations and context (e.g. country, sector, type of project).*
- ✓ The implementation structure for the Project covering the roles and responsibilities of the Entity and of other parties, external stakeholders (e.g. ministries and departments of the partner government, agencies etc.) and specific instances such as for example project steering committees involved with the implementation of the project.*
- ✓ Duration, state of implementation and notable successes or problems*
- ✓ A financial report or analysis of the Project>*

2.4 Entity subject to Audit

<Briefly describe the Entity's organisation and management structure>

2.5 Internal Control System subject to Audit

<Provide a (summary) description of the Internal Control System focusing on the main / key internal controls designed and implemented by the Entity insofar these internal controls are relevant to the Project and to the objectives for the Project (see TS Section 6.2, Planning and

Fieldwork). The Auditor can provide further details of the Internal Control System in Annex 1.>

Annex 1 contains details of the Entity's Internal Control System subject to audit.

3 The Audit

<Section 3 should contain a description of the audit of maximum 8 pages.>

We have been engaged by the Contracting Authority to perform this audit in accordance with the Tender Specifications attached to the [request for specific contract; or other document if the Audit Framework Contract was not used] of [date] and the [order form; or contract other document if the Audit Framework Contract was not used] of [date] with reference [order form number or reference of other document].

3.1 Audit Objectives

<The text on the audit objectives should normally be the same as in Section 2 (Objectives) of the TS. Any changes to the audit objectives in the TS should be agreed with the ATM and be addressed here.>

3.2 Audit Scope

<The text on the audit scope should normally be the as in Section 5 (Scope) of the TS. Any changes to the audit scope in the TS should be agreed with the ATM and be addressed here.>

3.2.1 Contractual Conditions

< Refer to the Contractual Conditions for the Project in Section 2.2.>

The Contractual Conditions for the Project are set out in Section 2.2 of this report. The scope of this audit included obtaining a sufficient understanding of the applicable laws and regulations for the Project, the Contractual Conditions and of the requirements for controls set out in Section 6.2 of the TS (Planning and Fieldwork) for this audit engagement.

3.2.2 Scope of Work

The scope of work of this systems audit covered the design and operating effectiveness of the Internal Control System in the period from [date] to [date].

The Internal Control System subject to audit is described at Section 2.5 of this report.

The scope of work included specific considerations and procedures which are set out further below at Section 3.3.

3.2.3 Scope Limitations

<Describe scope limits if any. >

3.3 Audit Procedures

<Describe the **specific considerations** and **procedures** covered by the scope of work (Section 6.2 of the TS, Planning and Fieldwork). For example, there are specific considerations for materiality and for risk assessment and for the internal controls and internal control areas which are relevant and appropriate to the Project and the Entity.

The latter include, but are not necessarily limited to key financial internal controls which are related to the revenue and expenditure categories in the financial report for the Project and the ones which are important for the management and control of the Project activities. This is critical in this specific context of a systems audit intended to provide assurance that risks to the achievement of the objectives of the Project are properly managed and controlled.

The structure provided below should be used (insofar applicable). Descriptions can be taken from section 6.2 of the TS (Planning and Fieldwork) and Annex 2 to the TS (Systems Audit Process and Procedures) and be complemented by the Auditor as he/she sees fit.>

The scope of work included the following specific considerations and procedures:

Obtaining an Understanding of the Engagement Context

[description]

Risk Assessment and Materiality

[description]

Obtaining Evidence regarding Design of Controls

[description]

Test of Controls

[description]

Sampling and other means of selecting items for testing

[description]

Using the work of Internal Auditors *<remove if not applicable>*

[description]

Obtaining Written Representations *<remove if not applicable>*

[description]

4 Findings and Recommendations

<The Auditor may use separate pages for each finding. Each finding should be given a sequence number.>

Our detailed internal control findings are set out below.

Finding n°: [number]	Title: [title of the finding]
Internal control issue: [internal control issue n° 1 – 10]	
Description of the finding: [describe in detail the finding covering <u>facts, criteria, cause and impact</u> . For criteria mention relevant article(s) / contractual provision(s) in the Contractual Conditions.]	
Recommendation: <description the recommendation> <i><recommendations should be designed to correct existing situations, to improve the management and internal control system of the Project or to better comply with established controls and/or best practice></i> .	
Recommendation priority: Priority 1 - Urgent remedial action is required; Priority 2 - Prompt specific action is required; Priority 3 - Specific remedial action is desirable <i><remove what is not applicable></i>	
Comments from the Entity: [state whether the Entity agrees or disagrees with the finding and describe Entity comments]	
Comments from the Contracting Authority: [describe Contracting Authority's comments]	
Further comments of the Auditor: [complete only if the Entity does not agree with the finding of the Auditor but the Auditor still believes that the finding is valid. In that case the Auditor should rebut here the comments of the Entity and justify why the finding is still made]	

Priority levels for ranking recommendations

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

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

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

Annexes

Annex 1: Internal Control System subject to Audit

<The Auditor can provide further details of the Internal Control System subject to audit in this Annex.>

Annex 2: Other Information

< Annex 2 can be used to include other relevant information.

The Auditor may add other Annexes to include additional information as he/she deems necessary or appropriate>

Annex 3: Persons contacted or involved in the Audit

The Auditor – [name of the audit firm]

[Name 1]	[indicate position / title of the person in the audit firm who has ultimate responsibility for the engagement and its performance, and for the report that is issued on behalf of the firm, e.g. Partner, Director or equivalent]
[Name 2; optional]	[optional (if not in conflict with the practices and HR policies of the Audit Firm). Indicate position / title in the audit firm of the person in the audit firm who has been managing the audit. E.g. Senior Manager]

The Entity subject to audit – [name of the Entity]

[Name 1]	[indicate position / title in the audited entity e.g. Director, Finance Manager, Accountant, Programme Manager]
[Name 2]	[as 1]
[Name 3 etc]	[as 1]

Contracting Authority

[Name 1]	Audit Task Manager
[Name 2]	[indicate position / title and unit e.g. Head of Finance, Contracts and Audit]
[Name 3 etc]	[as 2]

[Indicate name of any other external organisation or person contacted or involved in the audit such as the Entity's statutory auditors or Technical Assistants. Remove this table if not applicable]

[Name 1]	[indicate position / title in the organisation]
[Name 2 etc]	[as 1]
