**Financial Audit**

**[Project Title (ID)]**

**Implemented by:** [Executing Agency]

**Funded by:** Asia-Pacific Network for Sustainable Forest Management and Rehabilitation, [Executing Agency and Other Funding Agency/Agencies, if any]

**Audit Period:** [dd/mm/yyyy - dd/mm/yyyy]

**Audited by:** [Audit Firm]

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# Introduction

### 1.1 Description of the Project

#### 1.1.1 Project Goal(s) and Objectives

[Explanatory note: Descriptions here should be consistent with those found in official project documentation.]

#### 1.1.2 Project Partner(s)

[Explanatory note: Please list project executing agency, and implementing agencies if any.]

#### 1.1.3 Main Project Outputs/Activities

[Explanatory note: please describe project outputs achieved or expected and activities undertaken during this audit period.]

#### 1.1.4 Project Grants and Expenditures

[Explanatory note: if the audit period covers the initial project year, please outline incomes and expenditures for the current year. For the following project year(s), it is necessary to provide information on both the current year’s incomes and expenditures, as well as the accumulated totals throughout project implementation period.]

#### 1.1.5 Project Duration

[Explanatory note: please list both duration of the project and the time period covered by the audit.]

#### 1.1.6 Financial policies and/or inter control system applied for project implementation

### 1.2 Description of the Financial Audit Task

#### 1.2.1 Audit Team

[Explanatory note: please list audit team members along with their professional titles.]

#### 1.2.2 Dates of the Site Visit(s)

[dd/mm/yyyy-dd/mm/yyyy]

#### 1.2.3 Project stakeholders Contacted during the visit(s)

(1) project executing agency

Project director/coordinator: [name]

Project financial officer: [name]

Project officer: [name]

[(2) project implementing agency/agencies, if any]

Project director/coordinator: [name]

Project financial officer: [name]

Project officer: [name]

(3) APFNet secretariat

Project coordinator:[name]

# Auditor’s Report

[Address and Contact information of the Audit Firm]

**Independent Auditor's Report**

To Asia-Pacific Network for Sustainable Forest Management and Rehabilitation (APFNet)

**Opinion**

We have audited the Financial Statements of [Project Title & ID] implemented by [Executing Agency] for the period DD MONTH 20YY –DD MONTH 20YY [(Project Year \*\*)], indicating total costs of [USD\*\*].

In our opinion, the accompanying financial statements are presented fairly, in all material respects, and are in accordance with the financial regulations and requirements of APFNet.

(Or give a true and fair view.)

**Basis for Our Opinion**

We conducted the audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in our report’s “Auditor’s Responsibilities for the Audit of the Financial Statements” section. We are independent of APFNet in accordance with the ethical requirements that are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide the basis for our opinion.

**Other Matters**
[*if there is any*]

**Project Management's Responsibilities for the Financial Statements**

Project Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of the project agreement. For such sufficient internal control as Project Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether it be due to fraud or error.

In preparing the financial statements, Project management is responsible for assessing the project’s ability to continue as a going concern, disclosing, as applicable, matters related to going concerns and using the going concern basis of accounting unless management either intends to liquidate or to cease operations or has no realistic alternative but to do so.

Project management is responsible for overseeing the project’s financial reporting process.

**The Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 International Standards on Auditing (ISAs) will always detect material misstatements when they exist. 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 financial statements.

As part of an audit in accordance with International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

* Identify and assess the risks of material misstatements of the consolidated financial statements, 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 controls relevant to the audit in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project’s internal control.
* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by project management.
* Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the project’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the project to cease to continue as a going concern.

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.

[*Signature of audit team leader with a stamp of the audit firm*]

[The Audit Firm’s Address]

[Date: dd/mm/yyyy]

# Statement of Cash Receipts and Disbursements

|  |
| --- |
| Currency: USD |
| **Description** | **Budget** | **Actual** | **Balance** |
| **Opening Balance[[1]](#endnote-1)**  |  |  |  |
| APFNet grants |  |  |  |
| [*Counterpart]* Contributions[[2]](#endnote-2)*[funds from other agencies, if any*][[3]](#endnote-3) |  |  |  |
| **Subtotal** |  |  |  |
| **APFNet Grants Received[[4]](#endnote-4)**  |  |  |  |
| Bank charges  |  |  |  |
| First installment |  |  |  |
| Second installment  |  |  |  |
| Interests |  |  |  |
| **Subtotal** |  |  |  |
| **[*Counterpart]* Contributions Received**  |  |  |  |
| First installment |  |  |  |
| Second installment  |  |  |  |
| **Subtotal**  |  |  |  |
| **[*Funds from other agencies, if any]3*** |  |  |  |
| First installment |  |  |  |
| …… |  |  |  |
| **Subtotal** |  |  |  |
| **Total Grants Received**  |  |  |  |
| **Disbursements of APFNet Grants[[5]](#endnote-5)**  |  |  |  |
| Project Personnel  |  |  |  |
| Travel  |  |  |  |
| Procurement  |  |  |  |
| Meetings & Trainings  |  |  |  |
| Labor, service  |  |  |  |
| Project Administration  |  |  |  |
| Bank charges  |  |  |  |
| Other  |  |  |  |
| **Subtotal** |  |  |  |
| **Disbursements of** **[*Counterpart*] Contributions** |  |  |  |
| Project Personnel  |  |  |  |
| Travel  |  |  |  |
| Procurement  |  |  |  |
| Meetings & Trainings  |  |  |  |
| Labor, service  |  |  |  |
| Project Administration  |  |  |  |
| Other |  |  |  |
| **Subtotal** |  |  |  |
| [*Disbursements of Funds from other agencies*]3 |  |  |  |
| …… |  |  |  |
| **Subtotal** |  |  |  |
| **Total Disbursements** |  |  |  |
| **Closing Balance[[6]](#endnote-6)** |  |  |  |
| APFNet grants |  |  |  |
| Counterpart contributions |  |  |  |
| [*Disbursements of Funds from other agencies, if any*]3 |  |  |  |

# Statement of Project Expenditures by Activity

*- Example statement for the first project year*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Output/activity** | **Description** | **APFNet Grants (USD)** | **Counterpart Contributions (USD)** | **Funds from other agency(if any)**  | **Remarks[[7]](#endnote-7)** |
| **Budget** | **Actual expenditure** | **Balance** | **Budget** | **Actual expenditure** | **Balance** | …… |
| **Output 1**  |   |   |   |   |   |   |   |  |   |
| Activity 1.1  |   |   |   |   |   |   |   |  |   |
| Activity 1.2 |   |   |   |   |   |   |   |  |   |
| …… |  |  |  |  |  |  |  |  |  |
| **Total** |  |  |  |  |  |  |  |  |

*- Example statement for* *subsequent project year, which should include the carry-forward budget from previous project year(s).*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Output/Activity** | **Description** | **APFNet Grants (USD)** | **Counterpart Contributions (USD)** | **Funds from other agency(if any)** | **Remarks** |
| **Budget** | **Actual expenditure** | **Balance** | **Budget** | **Actual expenditure** | **Balance** | **……** |
| **Budget for current project year** | **Carry-forward Budget** | **Budget for current project year** | **Carry-forward Budget** | **……** |
| **Output 1**  |   |   |   |   |   |   |   |   |   |  |   |
| Activity 1.1  |   |   |   |   |   |   |   |   |   |  |   |
| Activity 1.2 |   |   |   |   |   |   |   |   |   |  |   |
| …… |  |  |  |  |  |  |  |  |  |  |  |
| **Total** |  |  |  |  |  |  |  |  |  |  |

# Notes to the Account of Principal Accounting Policies

### 5.1 Basis of Preparation

These financial statements of the Project have been prepared in conformity with the financial reporting requirements of APFNet.

### 5.2 Accounting Period

The Project has prepared financial statements from DD MONTH 20YY to DD MONTH 20YY.

### 5.3 Basis of Accounting

The accompanying financial statements have been prepared in accordance with the accrual basis and the historical cost convention.

### 5.4 Functional and Reporting Currency

The reporting currency for the Project is the US dollar (USD), whereas the functional currency is [local currency]. All transactions carried out in the functional currency will be translated into US dollars using the weighted exchange rates [or the exchange rate used by project management].

### 5.5 Recognition of Revenues

The Project recognizes APFNet Grant Revenue Receipts once the APFNet grants are received in the project bank account of [Executing Agency] in [Location].

### 5.6 Recognition of Expenditures

Expenditures are recognized once the [Executing Agency] has collected the supporting documents, and reviewed and approved them. A project expenditure was recognized when an advance payment was made to the partner and the amount will be adjusted according to the actual expenditure at the liquidation of the advance. The expenditure for goods & services received not included in the advance-liquidation process will be recognized at the end period upon the approval by APFNet of the valid supporting documents provided by the partner and/or project manager.

### 5.7 Taxation, Customs, and Import Duties

Taxes, customs, and import duties shall be excluded from the financing of APFNet.

# Major Observations and Recommendations

### 6.1 Follow-ups of issues identified in previous audit period(s)[[8]](#endnote-8)

|  |  |  |
| --- | --- | --- |
| **Issue identified in previous audit period(s)** | **Actions taken to address the issues** | **Issue resolved (Y/N)** |
| Issue 1:  |  |  |
| Issue 2: |  |  |

### 6.2 Issues Identified in the audit period[[9]](#endnote-9)

|  |  |
| --- | --- |
| **Finding 1** |  |
| **Explanation of Weakness**  |  |
| **Implication / Risk** |  |
| **Recommendation**  |  |
| **Project Management Response**  |  |
| **Finding 2****……** |  |

# Statement of Accumulated Project Expenditures (Only for Final Project Auditing)

*- Accumulated Expenditures by Activity*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Output/activity** | **Description** | **APFNet grants (USD)** | **Counterpart contributions (USD)** | **Funds from other agency(if any)** | **Remarks[[10]](#endnote-10)** |
| **Budget** | **Actual expenditure** | **Balance** | **Budget** | **Actual expenditure** | **Balance** | …… |
| **Output 1**  |   |   |   |   |   |   |   |  |   |
| Activity 1.1  |   |   |   |   |   |   |   |  |   |
| Activity 1.2 |   |   |   |   |   |   |   |  |   |
| …… |  |  |  |  |  |  |  |  |  |
| **Total** |  |  |  |  |  |  |  |  |

*- Accumulated Expenditures by Category*

|  |  |  |  |
| --- | --- | --- | --- |
| **Category**  | **Budget** | **Actual** | **Balance** |
| **APFNet Grants** |
| Project Personnel  |  |  |  |
| Travel  |  |  |  |
| Procurement  |  |  |  |
| Meetings & Trainings  |  |  |  |
| Labor, service  |  |  |  |
| Project Administration  |  |  |  |
| Other  |  |  |  |
| **Subtotal** |  |  |  |
| **Counterpart Contributions**  |
| Project Personnel  |  |  |  |
| Travel  |  |  |  |
| Procurement  |  |  |  |
| Meetings & Trainings  |  |  |  |
| Labor, service  |  |  |  |
| Project Administration  |  |  |  |
| Other |  |  |  |
| **Funds from other agencies, if any**  |
| …… |  |  |  |
| **Subtotal** |  |  |  |
| **Total**  |  |  |  |

1. **The Opening Balance represents the budget carried forward from the previous years on an accrual basis.**

*Opening Balance-Budget* reflects the variance between the accumulated budgets and the accumulated expenditures of the project during previous project year(s).

*Opening Balance-Actual* reflects the variance between the accumulated incomes and accumulated expenditures of the project during previous project year(s).

*Opening Balance-Balance* reflects the variance between the accumulated budgets and the accumulated annual income of the project during previous project year(s). (“Budget” minus “Actual”)

If the audit period is the first project year, *Opening Balance* stands at 0. [↑](#endnote-ref-1)
2. **Counterpart Contributions** refers to funds provided by project executing agency as the matching funding. [↑](#endnote-ref-2)
3. **Funds from other agencies,** if any; (delete if not applicable). [↑](#endnote-ref-3)
4. **Grants Received** refers to the planned budget and the actual income during the audit period.

*Grants Received-Budget* refers to the planned project budget during the audit period.

*Grants Received-Actual* is the actual grant received during the audit period.

*Grants Received-Balance* reflects the variance between the approved project budget and the actual grants received. (“Budget” minus “Actual”)

*Bank charges* are fees charged by the bank, referring to the differences between grants requested/transferred by APFNet and those received by the executing agency.

*Interests* generated from project funds and retained in the bank account(s) should be recognized as the project's income for implementing project activities. [↑](#endnote-ref-4)
5. **Disbursements of Grants** reflect the expenditure of project funds during the audit period on an accrual basis.

Items categorized here listed here should be consistent with the approved budget for the audit period.

*Disbursements-Budget* corresponds to the budget allocated by financial category in the approved budget.

*Disbursements-Actual* is the actual amount spent under each financial category in the audit period. This should be consistent with the Annual Progress Report (APR) of the project

*Disbursements-Balance* represents the variance between the budgeted amount and actual expenditure for each financial category. [↑](#endnote-ref-5)
6. **Closing Balance** refers to the remaining project funds at the end of the audit period. The *Closing Balance* of the audit period should be the *Opening Balance* of the following project year.

*Closing Balance-Budget* refers to the variance between the accumulated budget (carry-over budget + audit period’s budget) and the accumulated expenditures of the project in the audit period.

*Closing Balance-Actual* refers to the difference between the accumulated, actual income (bank account balance + received funds) and the accumulated expenditure of the project in the audit period.

*Closing Balance-Balance* refers to the difference between the accumulated budgets and the accumulated, actual incomes of the project by the end the audit period. (“Budget” minus “Actual”) [↑](#endnote-ref-6)
7. Additional clarifications are required for any variance over 10% between budget and actual expenditures. [↑](#endnote-ref-7)
8. The description of issues identified in previous audit periods and the corresponding solutions should be comprehensive, and the reasons for unresolved issues should be fully explained. [↑](#endnote-ref-8)
9. It should reflect the outstanding issues in all aspects of project management and fund utilization, including but not limited to the topics such as the standardization of project contracts, the proper utilization of project funds, and the fulfillment of project activities. [↑](#endnote-ref-9)
10. Additional clarifications are required for any variance over 10% between budget and actual expenditure. [↑](#endnote-ref-10)