Audit Report preparation - Job Aid

Some grantee organizations are required to submit an audit report through the Grant Management System (GMS). This requirement is specified in the grant agreement or may, in certain cases, be requested by the Fund's Secretariat at any stage of the grant cycle.

The purpose of this job aid is to guide organizations in the preparation of the audit report based on the requirements stated in the Fund's **Guidelines**. The key elements that should be included in the audit report are:

- ✓ Performed by an **independent, qualified external auditor** with a title indicating the auditor's independence (e.g. "Independent Auditor's Report").

- ✓ **Addressee**: Addressee: The report should be addressed to the appropriate authority (e.g. the Fund's Board of Trustees, the organization's governing body, or management), as defined in the audit engagement terms.

- ✓ **Include an introductory paragraph** outlining the scope of the audit, specifying the financial statements audited and the period covered by the grant (as per the grant agreement or any and any subsequent amendments affecting the implementation period). The Fund's name and, where possible, the project number should be indicated.

- ✓ **Management's Responsibility for the Financial Statements**: This section describes management's responsibilities for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework and national accounting standards.

- ✓ **Auditor's Responsibility**: This section explains the auditor's responsibility to express an opinion on the financial statements based on the audit. It should state that the audit was conducted in accordance with applicable auditing standards (e.g. International Standards on Auditing (ISA) or Generally Accepted Auditing Standards (GAAS)), and that these standards require the auditor to obtain reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error.

- ✓ **Auditor's opinion**: This section provides the auditor's opinion on the financial statements, stating whether, based on the audit evidence obtained, the financial statements present fairly, in all material respects, the financial position and expenditures related to the audited grant in accordance with the applicable financial reporting framework.

- ✓ The audit report must **relate specifically to the grant**. The audited financial statements should present a **full breakdown of expenditures** by budget line, consistent with the approved project budget, including brief descriptions where appropriate.

  NB: Note: Where appropriate, the auditor may attach the Financial and Narrative Reports submitted in GMS as annexes, provided they are consistent with the audited financial statements.

- ✓ The amounts should be **presented in USD**. If the funds were converted into another currency, the reporting of expenses should use the exchange rate that was applicable at the time the grant funds were converted.

- ✓ **Date, auditor's signature** and **address** of the office issuing the audit report.