

March 2015

# Audited Entity Financial Statements (AFS) Standard Review Checklist

**REVISED AUDITED ENTITY FINANCIAL STATEMENTS (AFS)  
STANDARD REVIEW CHECKLIST**

Project Number/Title: \_\_\_\_\_

Entity: \_\_\_\_\_

Executing Agency: \_\_\_\_\_

Name of Auditor: \_\_\_\_\_

For Fiscal Year Ended: \_\_\_\_\_

Date AFS Received: \_\_\_\_\_

	Item	Yes	No	n/a	Remarks
<b>A.</b>	<b>BASIC REQUIREMENTS</b>				
1.	Auditor is acceptable to ADB				
2.	Financial statements are signed by the entity's authorized representatives				
3.	Audit report signed by the auditor				
4.	Management letter provided (required if a management letter at the project level is not provided)				
5.	Audit report and AFS are in English language				
6.	AFS received within covenanted period (i.e., within one month of approval by relevant authorities)				
<b>B.</b>	<b>AUDITOR'S OPINIONS</b>				
7.	Auditor's opinion format is in accordance with recognized standards (e.g., International Standards on Auditing or ISA):				
	7.1 Does it clearly state the financial reporting framework applied (e.g., "management is responsible for the preparation of these financial statements in accordance with International Financial Reporting Standards {or applicable national standards}), and the auditing standards used (e.g., "we have conducted our audit in accordance with international standards on auditing [or applicable national standards]")				
	7.2 Does it provide a definite or a clear expression / opinion on whether the financial statements are presented fairly or give a true and fair view [if not, specialist advice should be sought]				
	7.3 Does the auditor's opinion on the financial statements include the following elements: (i) title (ii) addressee (executing agency and/or borrower), (iii) identification of the financial information audited, (iv) management's responsibility, (v) description of the auditor's responsibility, (vi) expression of an opinion, (vii) auditor's signature, (viii) date of the audit report, and (ix) the auditor's address				

	Item	Yes	No	n/a	Remarks												
8.	Auditor's opinion: Did the auditor use one of these phrases to express their (unqualified) opinion in accordance with ISA: (i) The financial statements present fairly, in all material respects, ... in accordance with [the applicable financial reporting framework]; or (ii) The financial statements give a true and fair view of ... in accordance with [the applicable financial reporting framework] [if not, specialist advice should be sought]																
9.	Does the audit report identify any breaches of ADB loan covenants or covenants of other institutions [if so, specialist advice should be sought]																
<b>C.</b>	<b>AUDITED ENTITY FINANCIAL STATEMENTS AND ANALYTICAL REVIEW</b>																
10.	Entity financial statements are prepared in accordance with acceptable financial reporting standards																
11.	Financial statements are complete and contain all key components (i.e., income statement, balance sheet, statement of changes in equity, statement of cash flows, and notes to the financial statements)																
12.	Are results consistent with the financial projections and are there any trends or comparisons that should be clarified with the entity and/or executing agency																
13.	Financial ratios <sup>1</sup> (actual versus covenanted): <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Covenant</th> <th style="text-align: center;">Actual</th> </tr> </thead> <tbody> <tr> <td>Ratio 1:</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td>Ratio 2:</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td>Ratio 3:</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> </tbody> </table>		Covenant	Actual	Ratio 1:	_____	_____	Ratio 2:	_____	_____	Ratio 3:	_____	_____				
	Covenant	Actual															
Ratio 1:	_____	_____															
Ratio 2:	_____	_____															
Ratio 3:	_____	_____															
<b>D.</b>	<b>MANAGEMENT LETTER</b>																
14.	Management letter provided (where applicable) which includes:																
14.1	Any weaknesses in the accounting and internal control systems that were identified during the audit, including any irregularity in the use of the imprest fund and statement of expenditure (SOE) procedures (where applicable)																
14.2	Any identified internal control weaknesses related to the procurement process such as, over the bidding, evaluation and contract management domains																

<sup>1</sup> Please refer to the additional audit opinion on compliance with financial covenants.

Item		Yes	No	n/a	Remarks
14.3	Details of any ineligible expenditure identified during the audit including identifying the financier to whom the ineligible expenditure relates to. Expenditure is considered ineligible if it refers to expenditures incurred for purposes other than the ones intended under the legal agreement(s); expenditures not allowed under the terms of the legal/financing agreements; and expenditures incurred in violation of applicable government regulations. Project Team must consult CTL where ineligible or unusual expenditures are noted.				
14.4	Recommendations to rectify identified weaknesses				
14.5	Management's comments on the audit recommendations along with the timeframe for implementation				
14.6	The status of significant matters raised in previous management letters				
14.7	Details on any findings relating to fraud and/or corruption. Project Team must consult OAI where fraud and corruption are noted by auditors, for appropriate treatment and approach.				
14.8	Any other matters that the auditor considers should be brought to the attention of the management				

<b>E. CONCLUSION AND FURTHER ACTION (if any)</b>		Yes	No	
15.	Conclusion:			
	Acceptable (completeness, quality, timeliness, issues)			
16.	Follow-up actions needed:			

The review and endorsement process, and the contents of the box below, will vary by regional department.

Prepared by:	Reviewed/Endorsed by:
Date:	Date:

Please note: This review checklist is not exhaustive and does not apply to all situations. Its use requires due care and judgment. Please seek professional advice where more technical input is required.