

ANNEX F

INSTRUCTIONS TO INSTITUTION'S APPOINTED AUDITOR ON FINANCIAL AUDIT (AI SINGAPORE RESEARCH PROGRAMME)

1. **Objective** – These audit instructions lay down the tasks required of the Institution and the auditor appointed by the Institution in connection with the Project.
2. **Selection of auditor** – The auditor must be a chartered or registered public accountant¹. If there is any change of auditor during the audit, the Institution must inform AI Singapore about the change and the reason(s) for the change before the new auditor starts work. AI Singapore reserves the right to veto the choice of the auditor if it sees fit.
3. **Frequency of audit** – An annual audit must be done at the end of every twelve (12)-month period, provide that the first period shall commence from the date the Institution first incurs the qualifying expenditure until 31 March of the following year, and subsequently, from 1 April of the same year to 31 March of the next year. The annual audit will be a selective audit of some of the major expenses incurred. A final audit must be done at the end of the Project and submitted to AI Singapore within four (4) months from the end of the Qualifying Period. The annual audit can be waived, at the discretion of AI Singapore, if the timing of the annual and final audit is relatively close.
4. **Scope of audit** – The scope of the audit is dependent on the Project's administrative structure and procedures, including internal control routines and other matters of importance for the presentation of financial statements. The size of the financing is also of significance for the scope of the audit. Specifically, the auditor is to check:
 - 4.1 whether the accounts present a fair and true view, i.e. that they are without any significant errors and omissions;
 - 4.2 whether the operational, business, expenditure and governance processes in relation to the Project are in accordance with the terms of this Letter of Award;
 - 4.3 whether the qualifying expenditure is being incurred for the Project and other activities contemplated hereunder or as otherwise in accordance with this Letter of Award;
 - 4.4 whether the qualifying expenditure claimed and in-kind contributions are accurately recorded and in accordance with the relevant books and records maintained;
 - 4.5 whether the description and authenticity of items claimed are valid by referring to and cross-checking against appropriate supporting documents and other records, as applicable or are as otherwise in accordance with this Letter of Award;

¹ Auditor refers to practicing public accountant registered in accordance with the Accountants Act (Cap 2). The public accountant shall also be a member of the **Institute of Singapore Chartered Accountants (ISCA)**.

- 4.6 whether the claims for qualifying expenditure correspond to the appropriate supporting documents, e.g. invoices, personnel and payroll records, etc., as applicable and/or are as otherwise claimed in accordance with this Letter of Award;
- 4.7 whether the Institution had practised economy (exercised prudence in managing their funds);
- 4.8 whether the Institution has provided AI Singapore with correct and full information about the fulfilment of the outcome requirements. Any variances are to be explained in accordance with the audit template in Annex 1; and
5. **Contributions by all parties** – The auditor shall ensure that the respective contributions, as specified in this Letter of Award, have been paid up or rendered/supplied in full as required. The final contributions to the financing of the Project by all parties involved should be reported in the format shown in Annex 1 of this instruction. Where the contributions are 'in-kind' rather than in-cash (as in services rendered or products supplied), the auditor shall ensure that the conditions under which the in-kind contributions are valued are satisfactory and that the appropriate valuation has been applied. This verification of in-kind contributions does not apply to foreign parties, and it will suffice if the relevant portion of the audited or unaudited accounts of the foreign parties is made available.
6. **Methodology** – The audit may be conducted by means of spot checks, among other things, on the basis of an assessment of importance and risk. The Institution must ensure that the auditor is provided with any information that must be regarded as important for assessing the accounts and for the auditor's evaluation of the administration, including objectives and results achieved. The auditor must be given free access to conduct any examination.
7. **Irregularities** – If the auditor becomes aware of offences or significant non-observance of the Letter of Award or conditions on which the Funding was made and such discrepancies cannot be satisfactorily explained by the Institution, it is the duty of the auditor to immediately inform AI Singapore within two (2) weeks of the discovery. Such findings are to be submitted together with the audit report. The same applies if during the audit or in another way the auditor becomes aware that continuation of operations is uncertain for financial or other reasons.
8. **Endorsements/Qualifications** – The auditor shall endorse the audited accounts stating that the accounts have been audited in accordance with the rules laid down in these instructions. Qualifications must be stated in the endorsement. The auditor must report his/her assessment and conclusion regarding the audit conducted. This report can be made in connection with the audit endorsement or in the auditors' records.
9. **Report** – The Institution must submit a copy of the audit report to AI Singapore together with the endorsed accounts within two (2) weeks of the completion of the audit.

Auditors' Report Template

Auditor's Report in connection with the operation of the <name of Project> of the <name of Institution> for the period from <DD MM YYYY> to <DD MM YYYY>

Dear Sirs

We have audited the accompanying Statement of Expenditure (the "Statement") in connection with the operation of <name of Project> of the <name of Institution> funded under the AI Singapore Research Programme for the financial year from DD MM YYYY to DD MM YYYY. The Statement has been prepared by **management of the <Name of Institution>** in accordance with the Basis of Preparation attached to the Statement.

Management's Responsibility for the Statement

Management is responsible for the preparation of the Statement in accordance with the Basis of Preparation and for such internal control as management determines is necessary to enable the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

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

Opinion

In our opinion, the amounts shown on the Statement totalling S\$XXXX are prepared, in all material respects, in accordance with the attached Basis of Preparation.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to the attached Basis of Preparation, which describes the basis of accounting. The Statement is prepared for submission to AI Singapore for the purpose of the Letter of Award dated <date of Letter of Award>. As a result, the Statement may not be suitable for another purpose. Our report is intended solely for <Name of Institution> and AI Singapore, and should not be distributed to or used by parties other than <name of Institution> or AI Singapore.

Certified Public Accountants
Singapore

Date:

Enclosures:

1. The Statement
2. Basis of Preparation

**BASIS OF PREPARATION OF THE STATEMENT FOR THE PERIOD
FROM <DD MM YYYY> TO <DD MM YYYY>**

The calculations and amounts have been prepared on the following bases:

1. The Expense Reports for claims reimbursement have been prepared in accordance with the Letter of Award dated <date of Letter of Award>.
2. The claim items are part of the qualifying budget categories and the claim amounts are within the approved funding amounts as set out in Annex C of the Letter of Award.
3. The half-yearly claim for reimbursement has been made on the prescribed Expense Report as set out in the format designated by AI Singapore, and is accompanied by the half-yearly Key Performance Indicators Report in the format designated by AI Singapore.
4. Claims submitted are true, accurate, correct, valid and comply fully with the terms and conditions of the Letter of Award.
5. The Statement has been prepared on a historical cost basis and is presented in Singapore Dollars. Transactions in foreign currencies are recorded on initial recognition in Singapore Dollars at exchange rates approximating those ruling at the transaction dates.
6. Input GST, if any, imposed on or incurred by the Institution in the course of or as a result of the Project shall qualify for reimbursement from AI Singapore under the approved funding amounts as the input GST is not claimable from the Inland Revenue Authority of Singapore.
7. Examples of qualifying budget categories incurred include:
 - 7.1 Expenditure on Manpower (EOM);
 - 7.2 Equipment (EQP);
 - 7.3 Other Operating Expenses (OOE);
 - 7.4 Overseas Travel (OT);
 - 7.5 Research Scholarship; and
 - 7.6 Indirect Costs.

At all times, please refer to Annex C as well as Annex E of the Letter of Award for the approved funding amount and the respective cost items supportable, as approved by AI Singapore.