



ADAPTATION FUND

Audited Financial Statement

A final audited financial statement of the Implementing Entity Grant Account(s) including net investment income earned, prepared by an independent auditor or evaluation body, is required to be submitted within six (6) months of the end of the Implementing Entity's financial year during which the Project is completed. (Standard Legal Agreement, Section 7.01 f)¹

Executing entities' project accounts are NOT the scope of the audit report for the Adaptation Fund. Financial auditing of executing entities' project accounts is the responsibility of implementing entities as part of the overall supervision responsibility included in project implementation.

Depending on a project completion date and implementing entity's financial year cycle, the implementing entity may need to submit an audited financial statement before the final project evaluation is completed. In such a case, it is suggested the implementing entity complete all financial commitments required for the final evaluation and implement the financial audit.

The Implementing Entity shall promptly refund to the Adaptation Fund Trust Fund, through the Trustee, any unused portion of the Grant, including any net investment income earned therefrom. No Grant funds shall be disbursed after termination. (Standard Legal Agreement, Section 14.03)

A final audited financial statement should comprise of financial statements for all grant funding and a management letter.

Financial statements

The financial statements should include:

- Statement of financial position (balance sheet) (Accrual basis)
- Statement of changes in net assets/equity (Accrual basis)
- Cash flow statement (Accrual basis)
- Comparison of budget and actual amounts
- Notes (a summary of significant accounting policies and other explanatory notes)
- Statement of cash receipts and payments

Management letter

The management letter should include:

- Outline the auditor's recommendations to address identified internal control issues, and the responses to them on the part of the project's management.
- In addition, it is required that any ineligible expenditures identified during the audit be outlined in the management letter.

¹ <https://www.adaptation-fund.org/documents-publications/legal-documents/>