

2019-09-04

Appendices 9

IM requirement for Partner project/program audit

Introduction

IM is a development organisation fighting and exposing poverty and exclusion. The organisation was founded in 1938 and is working in thirteen countries worldwide. IMs international work focuses on people's right to education, good health and ability to sustain a life in dignity. All projects are implemented in close collaboration with local partner organisations. IM also work in Sweden, focusing on integration and inclusion into society. The strengthening of civil society is both a means and an objective in all activities.

IM wishes to engage an audit of Self-advocacy 2.0 project as stipulated in the agreement between IM and Keystone Human Services International Moldova Association. The audit shall be conducted in accordance with International Audit Standard issued by IAASB¹ The audit shall be carried out by an external, independent and qualified auditor.

1. Purpose and scope of the audit

The purpose is to audit the financial report submitted to IM for the period 2019-01-01 through 2019-12-31 and, in accordance with ISA 800/805 declare whether or not the financial report for 2019 is in accordance with IM financial reporting instructions as stipulated in the agreement between IM and Keystone Human Services International Moldova Association (hereinafter referred to as the "Partner").

IM wants to emphasize the importance for auditor to review that the contractual agreements has been fulfilled, when partner funds has been passed on to a third party

The auditors must report on all discoveries, regardless the amount, that has not been corrected as well as deviations from the contractual agreements when it comes to passing on funds to third party. Depending on the findings the auditor can choose to report in the audit report or Management letter.

¹ The International auditing and Assurance Standards Board (IAASB)

2. Additional assignment; according to agreed upon procedures ISRS 4400

Review the following areas in accordance with Terms of reference below

1. Follow up whether salary costs debited to the project/programme are recorded throughout the duration of the year in a systemized way and examine whether the salary costs can be verified by supporting documentation.
 2. Examine whether the financial report includes a comparison, for every budget item, between the actual costs/expenditures of activities and the budgeted costs/expenditures as approved by Sida for the period.
 3. Regardless of materiality of the findings the auditor shall quantify the amount for costs lacking supporting documentation.
 4. Examine whether foreign exchange gains/losses are disclosed as a separate item in the financial report as well as disclosed in accordance with what is stipulated in the agreement including appendices and generally accepted accounting principles.
 5. The cooperation partner's compliance with the applicable tax legislation with regard to taxes (e.g.PAYE)² and social security fees.
 6. Follow up whether the cooperation partner has adhered to the procurement guidelines annexed or referred to in the agreement.
 7. Review if outgoing balance for previous period is the same as incoming balance for the current period.
 8. If the cooperation partner applies modified cash basis as accounting principle, the auditor shall describe used method and motivate whether the applied accounting principle is acceptable for this type of financial report.
 9. Verify the unspent balance at the end of the financial year against accounting records and its supporting documentation.
 10. Verify the unspent balance that shall be repaid to Sida in the final report of the last agreement year. (Only applicable in the final report of the last agreement year.
 11. Follow up whether the partner organisation has implemented the recommendations from previous assessment. The examination includes reviewing whether the partner has implemented the action points as described in partner's management response 2018 that has been submitted to IM.
- Other additional assignments?

² Pay As You Earn

3. Reporting

- 3.1 The report shall be signed by the responsible auditor and include title.
- 3.2 The Partner organisation's annual financial statement for funds used in accordance with this agreement shall be audited annually by an external, independent and qualified auditor (Certified Public Accountant/Authorized Public Accountant/Chartered Accountant) as approved by IM.
- The independent auditor's report shall clearly stipulate that the audit has been conducted in accordance with ISA 800/805, whether the submitted Annual Financial Report regarding the project is in accordance with the Partner organisation's accounting records and that it is also in accordance with IM's requirements on financial reporting as stated in the partner agreement.
- 3.3 The auditor shall submit a Management Letter, which shall contain the audit findings made during the audit process. In case the auditor has no observations to report, this should be disclosed in the Management Letter as well. This Management Letter shall also state which measures that have been taken as a result of the previous audit and whether the measures taken have been adequate in order to deal with any and all reported shortcomings. The auditor is requested to rate the risks according to high, medium and low.
- The additional assignment according to agree upon procedures ISRS 4400 under section 2, shall be reported separately in a "Report of factual findings". The size of the sample of reviewed audit reporting shall be stated in the report.
- If the auditor conducts an additional assignment according to ISRS 4400 and assesses that the observations presented in the "Report of factual findings" include the information that would have been included in a Management Letter, a separate Management Letter does not need to be issued for the ISRS 4400 assignment. Instead it is sufficient if the "Report of factual findings" include an explanation as to why a Management Letter has not been issued. "
- 3.4 The audited financial report shall be presented according to budget lines in the approved application. The actual outcome for the reporting period should be compared with the budget.
- 3.5 The audit report together with the management letter shall be submitted to IM and the partner organisation not later than 25nd of February 2020.
- 3.6 The partner organisation shall submit a management response to IM not later than 8th of March 2020. The format can be provided by IM.