# ForumCiv’s audit instruction

**for the Swedish Partnership Programme**

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| **The Cooperation partner is responsible for auditing the project**As a recipient of a ForumCiv grant, you are responsible for the granted funds being audited by an external, independent and qualified auditor according to ForumCiv’s latest audit instruction for the Swedish Partnership Programme (SPP).Note that:* The signing auditor should not be contracted for the assignment for more than a 7-year period.
* You will find the latest audit instructions at ForumCiv’s website.
* The grant should be audited annually, exceptions must be approved beforehand by ForumCiv.

**How to use this instruction**This document works as a Terms of Reference (ToR) that you give to the audit firm to ensure that the audit is done according to the existing rules. Include the information about your project in the [brackets]. |

## Introduction

[ORGANIZATION NAME], hereafter referred to as the “**Cooperation partner**” wishes to engage the services of an audit firm for the purpose of auditing our project as stipulated in the agreement between the Cooperation partner and ForumCiv. The audit shall be carried out in accordance with international audit standards (ISA) issued by IAASB[[1]](#footnote-2). In addition, an assignment according to International Standards on Related Services (ISRS) 4400 (Revised) shall be carried out. The audit and the additional assignment shall be carried out by an external, independent and qualified auditor.

### About the project

The Cooperation partner has received a grant of total [XXX XXX] SEK from ForumCiv to fund the project [PROJECT NAME] with the initiative number [3000XXXXX] for the project period [YYYY-MM-DD] to [YYYY-MM-DD].

The Cooperation partner also forwards funds to [NAME(S) OF PARTNER(S) IN SUBSEQUENT STEP], hereafter referred to as **Partner in subsequent step**, in this project.

## Objectives and scope of the audit

The objective is to audit the financial report for the period [YYYY-MM-DD] to [YYYY-MM-DD] as submitted to ForumCiv and to express an audit opinion according to ISA, applying ISA 800/ISA 805, on whether the financial report is in accordance with the Cooperation partner´s accounting records and ForumCiv’s requirements for financial reporting as stipulated in the agreement including appendices between ForumCiv and Cooperation partner.

## The auditor’s reporting

**Language**

* The reporting from the audit of the Cooperation Partner shall be in English.

**Auditor’s signature**

* The reporting shall be signed by the responsible auditor (not just the audit firm[[2]](#footnote-3)) and shall include the title of the responsible auditor.

**The auditor’s reporting shall state the following:**

* The start and end dates of the audited period. (For example 01 January 2023 – 31 December 2023).
* ForumCiv’s initiative number.
* The total costs for the audited period as stipulated in the financial report. Note that total costs must include all costs covered by ForumCiv’s grant as well as the Cooperation partner’s own contribution.

**The auditor’s reporting shall include the following parts:**

* An independent auditor’s report in accordance with ISA 800/805, according to point I below.
* An “Agreed-upon procedures report” according to ISRS 4400 (Revised), according to point II below.
* A Management Letter, according to point III below.

## I) An independent auditor’s report in accordance with ISA 800/805

The reporting from the auditor shall include an independent auditor’s report in accordance with the format in standard ISA 800/805 and the auditor’s opinion shall be clearly stated. The financial report that has been the subject of the audit shall be attached to the audit report.

## II) Agreed-upon procedures report in accordance with ISRS 4400 (Revised)

The additional assignment according to agreed upon procedures ISRS 4400 (Revised) shall be reported separately in a “Agreed-upon procedures report”. The report should:

* report the findings in accordance with the requirements in the ISRS 4400 (Revised);
* be structured clearly with each procedure and corresponding finding, numbered according to the list below;
* describe the performed procedures;
* when applicable, state the sample size and a description of how the sample has been selected.

### Mandatory procedures that must be included:

1. **Structure and content**
2. Inspect and confirm whether the financial report is structured in a way that allows for direct comparison with the latest approved budget.[[3]](#footnote-4)
3. Inspect and confirm whether the financial report provides information regarding financial outcome per budget line (both incomes and costs) for the reporting period and columns for cumulative information regarding earlier periods under current agreement.
4. If applicable, inspect and confirm whether the financial report includes an opening fund balance[[4]](#footnote-5) for the reporting period that matches with what was stated as closing fund balance in the previous reporting period.
5. If applicable, inspect and confirm whether the financial report includes a disclosure of exchange gains/losses. Inspect and confirm whether the disclosure includes the entire chain of currency exchanges in the project from ForumCiv’s disbursement to the handling of the project in local currency/ies. Inspect and confirm whether the principle applied for managing currency exchanges is included as a note to the financial report.
6. Inspect and confirm whether the financial report provides explanatory notes that may be necessary for transparent financial reporting in the project (such as accounting principles applied for the financial report).
7. If applicable, inspect and confirm whether the financial report provides information regarding the amount of funds that has been forwarded to Partner in subsequent step.
8. **Staff and salaries**
9. Inspect and confirm with what frequency salary costs during the reporting period are debited to the project.

*Choose a sample of three individuals for three different months and inspect and confirm point b, c and d below*:

1. Whether there are supporting documentation[[5]](#footnote-6) for debited salary costs.
2. Whether actual time worked is documented and verified by a manager. Inquire and inspect within which frequency reconciliations between debited time and actual worked time is performed.[[6]](#footnote-7)
3. Whether the Cooperation partner comply with applicable tax legislation with regard to personal income taxes (PAYE)[[7]](#footnote-8) and social security fees.
4. **EU sanctions list**

Inspect and confirm that the Cooperation partner screens Partners in subsequent step and suppliers to ensure that such parties are not subject to the European Union’s financial sanctions list of persons, groups and organisations (EU Sanctions list). Enquire whether there have been any reported findings from the screening process and if so, list such findings.

1. **Opening and closing balance**
2. Inspect and confirm that the unspent fund balance (according to the financial report) at the end of the financial year is in line with information provided in the accounting system and/or bank account.
3. Applicable the final year: Inspect and confirm the unspent fund balance (including exchange gains) in the financial report and specify the amount that shall be repaid to ForumCiv.
4. **Bank account**

Inspect and confirm whether the funds are held in a bank account held in the name of the organization and that is signed for by at least two persons jointly.

1. **Procurements**
2. Inspect and confirm whether the Cooperation partner has purchased services or goods above the thresholds in the procurement guidelines annexed or referred to in the agreement. Obtain a list of all purchased services and goods during the reporting period and identify all transactions above the agreed threshold.
3. If applicable, select two of the identified transactions above the threshold SEK 50 000 and determine whether they were subject to bidding procedures and in compliance with procurement requirements.

Mandatory assignments that must be included if the Cooperation partner forward funds to Partners in subsequent step.

***Choose a sample of a minimum of 10 % of the total disbursed funds. The sample should include 10 % of the number of Partners in subsequent step, or a maximum of 10 Partners in subsequent step.***

1. **Agreements with partners in subsequent step**
2. Inspect and confirm whether the Cooperation partner has signed agreements with the selected Partners in subsequent step.
3. Inspect and confirm whether the Cooperation partner, in all agreements entered with Partners in subsequent step, included the requirement to carry out annual audits. The requirement shall specify that these audits shall be carried out with application of ISA (reporting according to ISA 800/805) and that a separate assignment according to ISRS 4400 (Revised) should be included.
4. **Reporting from Partners in subsequent step**
5. Inquire and inspect whether the Cooperation partner has received financial reports and reporting from auditors from all Partners in subsequent step included in the selected sample.
6. Inquire and inspect whether the Cooperation partner has verified if reports are in line with the requirements in the Agreement.
7. Inquire and inspect whether the Cooperation partner has documented its assessment of the submitted financial reports and reporting from auditors including management responses and action plans from selected Partners in subsequent step.
8. Inquire and inspect whether the Cooperation partner has documented its follow-up actions based on the information provided in the financial reports and the reporting from the auditors of the selected Partners in subsequent step.
9. Inquire and inspect whether the Cooperation partner has reported substantial observations[[8]](#footnote-9) from audit reports of selected Partners in subsequent step in its communication with ForumCiv.
10. List observations[[9]](#footnote-10) from audit reports of Partners in subsequent step which have been part of this sample.
11. **Alternative payment methods**
12. Enquire whether the Cooperation partner has used alternative payment methods. If so, obtain information of the total amount that have been transferred through alternative payment methods.

*Select 40 % or a maximum of 15 Partners in subsequent step where alternative payment methods have been used. Review, confirm and report on:*

1. That the Cooperation partner has followed its routines and the Agreement with ForumCiv for the use of alternative payment methods.
2. The relevant amount transferred.
3. Why the exemption from bank transfers is motivated and authorised in the specific context.

## III) Management Letter

The reporting shall include a Management Letter.

1. The Management Letter should disclose all audit findings (including all findings from the ISA 800/805 and ISRS 4400 (Revised) reports), as well as weaknesses identified during the audit process. The auditor shall make recommendations to address the identified findings and weaknesses.
2. The recommendations shall be presented in priority order and with a risk classification.
3. Measures taken by the Cooperation partner to address weaknesses identified in previous audit reports shall also be presented in the Management Letter. If the previous audit did not have any findings or weaknesses to be followed-up on, a clarification of this must be disclosed in the audit reporting.
4. If the auditor assesses that no findings or weaknesses have been identified during the audit that would result in a Management Letter, an explanation of this assessment must be disclosed in the audit reporting.

## Signatures

With their signature, the undersigned certify the fulfilment of the requirements of these terms of reference and its existing rules.

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| **The Cooperation Partner**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Place and date  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Signature\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Organisation | **Auditor**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Place and date  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Signature\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Title and firm |

1. The International Auditing and Assurance Standards Board (IAASB)

: [↑](#footnote-ref-2)
2. If the audit firm is obliged to sign, refer to relevant legislation. ForumCiv still needs to know who has been responsible for the audit assignment. [↑](#footnote-ref-3)
3. The budget is an annex to the agreement with ForumCiv and any updates should be supported by a written approval by ForumCiv. [↑](#footnote-ref-4)
4. I.e. funds remaining from disbursements made during previous reporting period/s [↑](#footnote-ref-5)
5. Debited salary costs should be verified by supporting documentation such as employment contracts and salary specification. [↑](#footnote-ref-6)
6. According to Sida’s guidelines, time spent on a project must be continuously documented. The Cooperation partner determines which method, system or agreement on percentage that is to be applied. The outcome must be continuously checked and approved by the manager. The approval must be continuously documented. It must be possible to correct any deviations from the actual outcome. There must be a link between reported time and charged cost for the project that is possible for an auditor to verify. [↑](#footnote-ref-7)
7. Pay As You Earn [↑](#footnote-ref-8)
8. Deemed substantial by the Cooperation partner and the Partner in subsequent step’s auditor. [↑](#footnote-ref-9)
9. Observations included in Management Letters and if applicable, qualified audit reports. [↑](#footnote-ref-10)