**Appendix 3: Audit Instructions**

All funds received from ForumCiv must be audited by an external, independent auditor unless other audit routines have been approved of by ForumCiv.

A complete audit report includes an ISA 800/805, ISRS 4400 and a Management Letter provided by and signed by the auditor. In addition to the reports from the auditor described in this document, the organisation shall also submit a **management response**. The purposes of the management response are to express the organisation’s position in relation to the management letter and to describe the actions planned to address weaknesses and discrepancies. If the auditor considers that no observations or weaknesses have been identified, this shall be clearly stated.

Below you will find the Terms of Reference to be submitted to your auditor, as a well a “Report of Factual Findings (ISRS 4400)” template for the auditor to use.

**ForumCiv’s Terms of Reference for annual audit of project and programme support**

The following Terms of Reference shall be the starting point for the organisation's audit of the annual financial report for the project or programme. The Terms of Reference should form part of the auditor's assignment letter, either inserted in the running text or as an appendix.

The Terms of Reference should also be the starting point for the template for Terms of Reference for audit that the organisation relays to its partners.

A “Report of Factual Findings (ISRS 4400)” template is included at the end of this document for the auditor to use.

Introduction

[ORG] has received a grant of SEK [XXX] from ForumCiv to finance project/programme number [XXX]. This project/programme will be implemented during the period 20XX-20XX. [ORG] will also provide subgrants from this contribution to [ORG].

The aim of the project/programme is [...].The overall objective is [...].

[ORG] wishes to employ an auditing company to examine the finances of the [XXX] project/programme, as is stipulated in the agreement between [ORG] and ForumCiv. The audit is to be carried out in accordance with the International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC). The audit is to be carried out by an external, independent and authorised or approved auditor.

In addition to auditing the financial report, the assignment also includes a review of financial information in accordance with the assignment description under section II.

1. Aim and scope of audit

The auditor shall examine the financial reports for the period [YYYY-MM-DD] to [YYYY-MM-DD] submitted to ForumCiv by [ORG] and state in accordance with ISA 800/805 whether the financial reporting regarding the [ORG’s] project or programme submitted to ForumCiv is in accordance with [ORG’s] accounting, established budget and ForumCiv’s instructions for reporting.

1. Engagements to perform agreed-upon procedures regarding financial information according to the International Standard on Related Services (ISRS) 4400

The term **"materiality and risk"** in the text set out below shall be the same "materiality and risk” criterion used in the ISA 800/805 assignment, unless otherwise stated.

The term **"sufficient supporting documentation"** shall be understood in the same way as in the ISA 800/805 assignment, unless otherwise stated.

The term **"sample basis"** shall include the same sample size as in the ISA 800/805 assignment, unless otherwise stated.

**Point 1-12 are to be review for all interventions. Point 13-17 are only applicable for organisations who sub-grant funds to other organisations at subsequent levels.**

1. Examine whether the funds are held in a bank account held by the organisation and that is signed for by at least two persons jointly.
2. Review, on a sample basis, whether salary costs charged to the project are regularly posted throughout the year in a systematic manner and whether salary costs can be verified by sufficient supporting documentation.
3. Check whether the financial report includes a comparison for each budget line between the actual outcome and the budget approved by ForumCiv regarding the costs of activities for the period in question.
4. Based on materiality and risk, the auditor will review whether the reported costs have sufficient supporting documentation.
5. Examine, on a sample basis, whether [ORG] complies with tax legislation and pays social security contributions.
6. Review, on a sample basis, whether [ORG] has followed the procurement regulations set out in the agreement and, where applicable, in the annex.
7. If [ORG] uses a modified cash basis (a hybrid between the cash basis accounting and the accrual accounting) as its accounting basis, the auditor shall report on whether the chosen accounting basis is acceptable for the financial report that has been established.
8. Verify that the closing balance of the previous period is the same as the opening balance for the current period.
9. Verify the closing balance at the end of the financial year against [ORG’s] accounting.
10. Verify the closing balance to be refunded to ForumCiv at the end of the agreement period (applicable for last year of agreement only).
11. Regardless of materiality, quantify amounts of costs, identified within these agreed-upon procedures, that lack sufficient supporting documentation.
12. Examine whether the collection and size of the own contribution meets the terms stipulated in ForumCiv’s General Terms and Conditions.

**Point 13-17 are only applicable for organisations who sub-grant funds to other organisations at subsequent levels. The review of points 13-17 must include verification of activities the equivalent to at least [X]% of the funds paid and [X]% of the number of contributions made.[[1]](#footnote-1)**

1. Review, on a sample basis, whether [ORG] has signed agreements with its subsequent partner(s).
2. Review, on a sample basis, whether the audit requirements in contractual agreements with subsequent partner(s) are in accordance with [ORG’s] agreement with ForumCiv.
3. Review whether there is an unbroken chain of financial reports, audited by external, independent and authorised or approved auditors, in accordance with the requirements stipulated in the agreement between [ORG] and ForumCiv, regarding the year's contribution. This review must include whether the subsequent partner(s) has established documented responses to its audit report and whether the audit report has been followed up by the subsequent partner(s). The review must also include all notes made by the auditor that should be brought to the attention of ForumCiv.
4. Review whether the same requirement for reporting exchange rate losses/gains as stipulated in the agreement between [ORG] and ForumCiv is included in agreements between [ORG] and its subsequent partner(s).
5. Review, on a sample basis, if the sub-granting to subsequent partner(s) takes place via the receipt of signed requisitions (scanned copy is accepted).
6. Audit reporting

All reporting by the auditor must be written in English. The auditor’s reporting must contain time period, ForumCiv’s intervention number and the total outcome amount for the period. The financial report that has been the subject of the audit shall be annexed to the audit report.

The reporting must show the auditor's signature (not only the audit company) and title.

The auditor's reporting must contain an **independent auditor’s report** in accordance with ISA 800/805, where the opinion must be clearly stated. It must be stated in the report that the audit has been carried out in accordance with ISA 800/805.

The report shall also include a **management letter** where all weaknesses and discrepancies discovered by the auditor within this assignment must be noted. The auditor shall also make recommendations on how to address the identified weaknesses, and the recommendations shall be presented in order of priority. Measures taken by the organisation to address weaknesses in previous audits shall be presented in the management letter. If the auditor considers that no observations or weaknesses have been identified, this should be stated in the management letter.

The agreed-upon procedures according to ISRS 4400, as described in section II in this document, shall be reported separately in a **report of factual findings**. The sample size used for the review of funds sub-granted to subsequent levels shall be stated in the report. If no management letter has been included in the reporting, this should be stated in the report of factual findings.

**Signatures**

With their signature, the undersigned certify the fulfilment of the requirements of these terms of reference and the implementation of all its items:

Partner organisation receiving contributions:

Place and date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name in capitals:

Title:

Auditor:

Place and date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name in capitals:

Title and company name:

# Report of factual findings (ISRS 4400)

We have performed the procedures agreed with you and enumerated below concerning the management audit of **[Intervention name, intervention number and organisation name]** for the activity period [**YYYY-MM-DD – YYYY-MM-DD].** Our engagement was undertaken in accordance with the International Standard on Related Services (ISRS 4400) applicable to agreed-upon procedures engagements.

The term "sufficient supporting documentation" shall be understood in the same way as in the ISA assignment, unless otherwise stated.

The term "sample basis" shall include the same sample size as in the ISA assignment, unless otherwise stated.

**Agreed-upon procedures:**

1. Examine whether the funds are held in a bank account held by the organisation and that is signed for by at least two persons jointly.
2. Review, on a sample basis, whether salary costs charged to the project are regularly posted throughout the year in a systematic manner and whether salary costs can be verified by sufficient supporting documentation.
3. Check whether the financial report includes a comparison for each budget line between the actual outcome and the budget approved by ForumCiv regarding the costs of activities for the period in question.
4. Based on materiality and risk, the auditor will review whether the reported costs have sufficient supporting documentation.
5. Examine, on a sample basis, whether [ORG] complies with tax legislation and pays social security contributions.
6. Review, on a sample basis, whether [ORG] has followed the procurement regulations set out in the agreement and, where applicable, in the annex.
7. If [ORG] uses a modified cash basis (a hybrid between the cash basis accounting and the accrual accounting) as its accounting basis, the auditor shall report on whether the chosen accounting basis is acceptable for the financial report that has been established.
8. Verify that the closing balance of the previous period is the same as the opening balance for the current period.
9. Verify the closing balance at the end of the financial year against [ORG’s] accounting.
10. Verify the closing balance to be refunded to ForumCiv at the end of the agreement period (applicable for last year of agreement only).
11. Regardless of materiality, quantify amounts of costs, identified within these agreed-upon procedures, that lack sufficient supporting documentation.
12. Examine whether the collection and size of the own contribution meets the terms stipulated in ForumCiv’s General Terms and Conditions.
13. Review, on a sample basis, whether [ORG] has signed agreements with its subsequent partner(s).
14. Review, on a sample basis, whether the audit requirements in contractual agreements with subsequent partner(s) are in accordance with [ORG’s] agreement with ForumCiv.
15. Review whether there is an unbroken chain of financial reports, audited by external, independent and authorised or approved auditors, in accordance with the requirements stipulated in the agreement between [ORG] and ForumCiv, regarding the year's contribution. This review must include whether the subsequent partner(s) has established documented responses to its audit report and whether the audit report has been followed up by the subsequent partner(s). The review must also include all notes made by the auditor that should be brought to the attention of ForumCiv.
16. Review whether the same requirement for reporting exchange rate losses/gains as stipulated in the agreement between [ORG] and ForumCiv is included in agreements between [ORG] and its subsequent partner(s).
17. Review, on a sample basis, if the sub-granting to subsequent partner(s) takes place via the receipt of signed requisitions (scanned copy is accepted).

**Findings:**

1. ….
2. ….
3. ….
4. ….
5. ….
6. ….
7. ….
8. ….
9. ….
10. ….
11. ….
12. ….
13. ….
14. ….
15. ….
16. ….
17. ….

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing (ISA) or International Standards on Review Engagements (ISRE), we do not express any opinion regarding the financial reporting.

Had we performed additional procedures, or had we performed an audit or review of the financial report in accordance with ISA or ISRE, other matters might have come to our attention that would have been reported to you.

**Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties than the organisation and the donors of this intervention.**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Signed by Auditor Date

1. The size of the selection regarding forward payments will be determined in consultation between the cooperation partner and the auditor and must be stated in the Terms of Reference or at the latest in the letter of assignment between the auditor and the cooperation partner. Replace the X with the agreed percentage. Both percentages should be at least 25 %. [↑](#footnote-ref-1)