



2023-11-07

## **IM Audit Requirements for Partner project/program**

## Introduction

IM is a non-profit organisation that fights for a humane world free from poverty and exclusion. Together with partners, we work for equal and democratic societies where everyone can enjoy their rights and where no one is left behind. We are convinced that people can create change on their own if they have the right conditions. Our work takes place at all levels in society to create socially, economically, and climate-sustainable solutions. The work also aims to meet several of the Global Goals for sustainable development.

IM wishes to engage an audit of **AOPD- human rights promoter and monitor** as stipulated in the agreement between **IM** and **AOPD**. The audit shall be conducted in accordance with International Audit Standard (ISA) issued by IAASB<sup>1</sup>. In addition, an assignment according to International Standards on Related Services (ISRS) 4400 shall be carried out. The audit shall be carried out by an external, independent, and qualified auditor.

### 1. Objectives and scope of the audit

The objective is to audit the financial report submitted to IM for the period 2023-01-01 through 2023-12-31 and, in accordance with ISA 800/805 declare whether the financial report for 2023 is in accordance with IM financial reporting instructions as stipulated in the agreement including appendices between **IM** and **AOPD** (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.

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

Review the following areas in accordance with Terms of reference below:

1. Examine whether the financial report includes a comparison, for every budget line, between the actual outcome and the budget approved by IM regarding costs for activities for the reporting period.
2. Regardless of materiality of the findings, the auditor shall quantify the amount for costs lacking supporting documentation.

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<sup>1</sup> The International auditing and Assurance Standards Board (IAASB)

3. 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.
4. Examine whether the salary costs debited to the project/program are booked continuously throughout the year in a systematic manner and whether the salary costs can be verified by supporting documentation.
5. Inspect whether the partner comply with applicable tax legislation with regard to personal income taxes (PAYE) and social security fees.
6. Inquire and inspect 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.
7. Follow up whether the partner has adhered to the procurement rules annexed or referred to in the agreement.
8. Review if Closing Balance for the previous period is the same as Opening Balance for the current period.
9. If the 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.
10. Verify the unused funds at the end of the financial year against the accounting records and its supporting documentation.
11. Verify the unspent balance that shall be repaid to IM (Sida) in the final report of the last agreement year. (Only applicable in the final report of the last agreement year.)
12. 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 2021 that has been submitted to IM.
  - Other additional assignments?
13. Examine whether there is an unbroken chain of financial reports audited by the auditor in accordance with the requirements stipulated in the agreement between the partner and IM regarding the contributions made last year. The review shall include whether the partner makes documented statements on the audit reports submitted to the partner and whether the audit reports are followed up by the partner. The audit shall include verification of contributions corresponding to at least 20% of funds paid and 20% of the number of grants submitted. The audit should also include notes made by the auditor that should come to IM knowledge.

### 3. Reporting

3.1 The report shall be signed by the responsible auditor and include the title (not just the auditing firm).

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 agreed 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. The financial report that has been audited must be attached to the audit report.

3.5 The Audit report together with the Management letter shall be submitted to IM and the partner organisation no later than 19<sup>th</sup> of February 2024.

3.6 The partner organisation shall submit a Management response to IM not later than 1<sup>st</sup> of March 2024. The format can be provided by IM.



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IM Regional Finance Controller

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Date

Submission of audit document

IM Swedish Development Partner

IM national Audit company **BDO**

Attention:

Attention:

-EE team-----

-Tudor Macari-----

Contact information:

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