

Version 1.3 of April 2023

Annex [1]

Terms of Reference for Supplementary Audit ISRS 4400

Introduction

The Civic Resistance/Qëndresa Qytetare, hereafter referred to as the “Cooperation partner” wishes to engage the services of an audit firm for the purpose of auditing the *Core Support to Strategic Plan 2022-2027*, as stipulated in the agreement between the Cooperation partner and Sida. The audit shall be carried out in accordance with international audit standards (ISA) issued by IAASB1. The audit and the additional assignment shall be carried out by an external, independent and qualified auditor.

I. According to agreed upon procedures ISRS 4400, review the following areas in accordance with the Terms of Reference below

1. Observe whether the financial report is structured in a way that allows for direct comparison with the latest approved budget².
2. Observe and inspect whether the financial report provides information regarding:
 - a) Financial outcome per budget line (both incomes and costs) for the reporting period and columns for cumulative information regarding earlier periods under current agreement.
 - b) When applicable, compare if the opening fund balance³ for the reporting period matches with what was stated as closing fund balance in the previous reporting period.
 - c) A disclosure of exchange gains/losses. Inquire and confirm whether the disclosure includes the entire chain of currency exchange from Sida’s

¹ The International Auditing and Assurance Standards Board (IAASB)

² The budget is attached to the agreement with Sida as an annex and any updates should be supported by a written approval by Sida.

³ I.e., funds remaining from disbursements made during previous reporting period/s

disbursement to the handling of the project/programme within the organisation in local currency/ies, if applicable.

- d) Explanatory notes (such as, for instance, accounting principles applied for the financial report).
 - e) Amount of funds that has been forwarded to implementing partners, when applicable.
3. a) Inquire and inspect with what frequency salary costs during the reporting period are debited to the project/programme.

Choose a sample of three individuals for three different months and:

- b) Inquire and inspect whether there are supporting documentation⁴ for debited salary costs.
 - c) 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.
 - d) Inspect whether the Cooperation partner comply with applicable tax legislation with regard to personal income taxes (PAYE)⁵ and social security fees.
4. Review and confirm that the Cooperation partner screens IP's and/or 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 has been any reported findings from the screening process and if so, report on such findings.

5. a) 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.
- b) **Applicable the final year:** Inspect and confirm the unspent fund balance (including exchange gains) in the financial report and confirm the amount that shall be repaid to Sida.
 - c) Inquire and inspect whether the Cooperation partner has implemented the recommendations from the review of internal control conducted by Audit firm *Grant Thornton* and dated August 2023. The follow-up includes inspecting whether the Cooperation partner has implemented the action plan as described in Cooperation partner's management response submitted to Sida/Embassy dated 8 February 2024.

⁴ Debited salary costs should be verified by supporting documentation such as employment contracts.

⁵ Pay As You Earn

II. The reporting

The reporting shall be signed by the responsible auditor (not just the audit firm⁶) and shall include the title of the responsible auditor. The assignment according to agreed upon procedures ISRS 4400 (Revised), shall be reported separately in an “Agreed-upon procedures report”. Performed procedures should be described and the findings should be reported in accordance with the requirements in the International Standard on Related Services 4400 (Revised).

When applicable, the sample size shall be stated in the report.

⁶ If the audit firm is obliged to sign, refer to relevant legislation. Sida still needs to know who has been responsible for the audit assignment.