

Sida's Standard Terms of Reference for Annual Audit of Project/Programme Support

Introduction

Brief presentation of “SWE INST” hereafter referred to as the ‘Cooperation partner’:

The Cooperation partner wishes to engage the services of an audit firm for the purpose of auditing the “*University of Rwanda and Sweden Partnership 2019-2024 – Sub program no XXXX – Name of sub program*”, as stipulated in the agreement between Cooperation partner and International Science Programme (ISP) Uppsala University. The audit shall be carried out in accordance with international audit standards issued by IAASB¹. The audit shall be carried out by an external, independent and qualified auditor.

I. Objectives and scope of the audit

The objective is to audit the financial report for the period **20XX-07-01 to 20XX-06-30** as submitted to Sida and to express an audit opinion according to ISA 800/805 on whether the financial report of – *Sub program no XXXX – Name of sub program*”, is in accordance with Sida’s instruction for financial reporting as stipulated in the agreement including appendix between ISP and Cooperation partner.

¹ The International Auditing and Assurance Standards Board (IAASB)

II. Additional assignment; according to agreed upon procedures ISRS 4400, review the following areas in accordance with the Terms of reference below

Mandatory assignments that must be included:

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 sufficient 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 ISP/Sida for the period.
3. Based on materiality and risk the auditor shall examine whether there is supporting documentation related to incurred costs. Regardless of materiality of the findings the auditor shall quantify the amount for costs lacking sufficient 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 via ISP in the final report of the last agreement year. (Only applicable in the final report of the last agreement year)

² Pay As You Earn

Follow up of funds that are channelled to implementing partners

1. Review whether the Cooperation partner has signed agreements with its implementing partner organisations
2. Review whether the audit requirements in agreements with partner organisations are in accordance with the audit requirements as stipulated in the Cooperation partner's agreement with ISP.
3. Review whether there is an unbroken chain of audited financial reports according to the requirements as stipulated in the agreement between the cooperation partner and ISP, for funds disbursed the previous year. The review shall include whether the cooperation partner makes documented assessments of the audited financial reports submitted to the cooperation partner and whether these reports are followed-up by the cooperation partner. The review shall include verification of contributions equivalent of a minimum of 40 % of the total of disbursed funds as well as 40 % of the number of contributions. The review shall also include any observations from auditors that Sida should be informed about.
4. Are the same requirements for reporting exchange rate gains and exchange rate losses as stipulated in the agreement between the Cooperation partner and ISP, included in the agreements between the Cooperation partner and its implementing partner organizations?

III. The reporting

The reporting shall be signed by the responsible auditor (not just the audit firm) and shall include the title of the responsible auditor.

The reporting shall be done in English and the number and name of the audited sub program shall be mentioned.

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 independent auditor's report shall clearly stipulate that the audit has been conducted in accordance with ISA 800/805. The reporting shall also include a Management letter that discloses all audit findings (significant and other findings), as well as weaknesses identified during the audit process. The financial report that has been subject of the audit shall be attached to the audit reporting. The auditor shall make recommendations to address the identified findings and weaknesses. The recommendations shall be presented in priority order.

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.

Measures taken by the organisation to address weaknesses identified in previous audits shall also be presented in the Management Letter.

The additional assignment according to agreed upon procedures ISRS 4400 under section II, 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.