



THE OLOF PALME INTERNATIONAL CENTER'S AUDIT INSTRUCTION

To auditors auditing projects financed with funds from the Palme Center

Please note that the instruction replaces previously instructions.

GENERAL INFORMATION

Organizations granted funds from the Palme Center for development cooperation projects are required to send an audited project report for the period covered by the contract to the Swedish project organization/the Palme Center by February 1 each year.

The project shall be audited annually.

The audit shall be carried out by an external, independent and qualified auditor.

Approved titles: Certified Public Accountant (CPA), Chartered Accountant (CA), or equivalent according to project country law.

The audit shall be conducted in accordance with internationally accepted standards, ISA, issued by the International Federation of Accountant (IFAC). The "Handbook for International Standards on Auditing and Quality Control" is available for download at www.palmecenter.org.

The final financial report of the organization shall consist of at least the following documents:

- 1. Expenditure Specification¹**, *signed by the person authorized to sign for the organization as well as by the auditor*
- 2. Accounts in local currency** (currency statement)
- 3. Reporting by the auditor:**
 - a. Audit Report according to ISA 805**
 - b. Management Letter & management response**

The auditor shall also attach a **copy of his/her audit certification/registration document** that verifies what kind of certification (CPA, CA etc.) the auditor holds.

¹ The financial statement must contain the same information as in the Palme Center template "Expenditure Specification". For project supported directly through the Olof Palme International Center, the Olof Palme International Center form template be used (available at www.palmecenter.org).

1. OBJECTIVES AND SCOPE OF THE AUDIT

In the audit made in accordance with generally accepted auditing standards, the auditor shall especially examine that the organization has complied with the agreement between the organization and the Swedish project organization/the Palme Center, as well as with the Palme Center guidelines. The auditor shall also check that the information provided in the financial report matches the financial information in the narrative report.

If the organization channels grants to another party, the auditor shall check that the organization has an agreement with the third party and that the Palme Center's audit instruction has been followed in all organizations subsequently in receipt of funds.

2. AUDITOR'S REPORT ACCORDING TO ISA 805

The auditor shall write a report according to ISA 805, which shall express an opinion whether the submitted annual financial report is in accordance with the organization's accounting records and with the Palme Center's audit instruction.

It is important that the auditor's report clearly **states that the audit has been performed in accordance with ISA and the Olof Palme International Center's Audit Instruction**. Otherwise the Palme Center cannot approve the audit.

3. MANAGEMENT LETTER

The auditor shall in addition to the auditor's report enclose a Management Letter which shall contain the essential findings that the auditor has made during the audit process.

4. INTERNATIONAL STANDARD ON RELATED SERVICES, ISRS 4400

In addition to the abovementioned findings in the Management Letter, the audit report shall contain additional information in accordance with the International Standard on Related Services (ISRS 4400).

- The extent of the audit and the audit method used.
- Information on whether the project has been carried out in accordance with all the sections in the agreement and the approved budget.
- Information on whether the salary costs debited to the project can be verified by sufficient supporting documentation, as well as compliance with rules and regulations in regard to taxes (e.g. PAYE) and social security fees and other taxes.
- If the organization channels grants to a third party, information on whether audits has been carried out in accordance with ISA and the Palme Center's audit instructions in all organizations which subsequently in receipt of funds.
- Information on whether adequate measures have been taken by the organization as a result of previous audit recommendations.
- Identified amount, in case there are noteworthy deficiencies.

If the auditor does not have any important observations to report, this must be stated in the report.