



THE OLOF PALME INTERNATIONAL CENTER'S AUDIT INSTRUCTION

To auditors auditing projects financed with funds from the Palme Center

Please note that the instructions replace all previous audit instructions.

GENERAL INFORMATION

Organisations 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 organisation/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 Accountants (IFAC).

The annual financial report of the organisation shall consist of at least the following documents:

- 1. Accounts in local currency/Expenditure Specification in SEK, signed by the person authorised to sign for the organisation as well as by the auditor**
- 2. Reporting by the auditor:**
 - a. Audit Report according to ISA 800/805**
 - b. Management letter & Management response**
 - c. Report over factual findings (ISRS 4400)**

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. OBJECTIVES AND SCOPE OF THE AUDIT

In the audit made in accordance with generally accepted auditing standards, the auditor shall especially examine that the organisation has complied with the agreement between the organisation and the Swedish project organisation/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 organisation channels grant to another party, the auditor shall check that the organisation has an agreement with the third party and that the Palme Center's audit instruction has been followed in all organisation subsequently in receipt of funds.

2. AUDITOR'S REPORT ACCORDING TO ISA 800/805

The auditor shall write a report according to ISA 800/805, which shall express an opinion whether the submitted annual financial report is **in accordance with the organisation's accounting records and with the Olof Palme Center's Accounts in local currency/Expenditure Specification in SEK report.**

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. Any expenses with insufficient supporting documentation should be quantified, regardless of materiality.

If the audited period is not the first period of the project, the auditor should follow up on any recommendations provided in the audit report for the prior period.

4. INTERNATIONAL STANDARD ON RELATED SERVICES, ISRS 4400

4.1 FOR ALL GRANTS

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

- a) Follow up 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.
- b) Examine that the average exchange rate is calculated according to the instructions given in the Accounts in local currency/Expenditure Specification in SEK report.

- c) Follow up whether the procurement guidelines annexed to the agreement has been adhered to during the project.

4.2 ADDITIONAL PROCEDURES IF FUNDS ARE CHANNELED TO OTHER PARTIES

If funds are forwarded to other parties, the following additional procedures should be carried out and reported by the auditor in accordance with the International Standard on Related Services (ISRS 4400):

- d) Does the organisation have signed agreements with its implementing partner in accordance with the requirements set out in the agreement between the partner and Olof Palme International Center.
- e) Are the audit requirements in agreements with implementing partner in accordance with the Olof Palme International Center's Audit Instruction
- f) Review whether there is an unbroken chain of audited financial reports according to the requirements as stipulated in the agreement with the Olof Palme International Center. The review shall include verification of audit reports in subsequent level for contributions equivalent to a minimum of 35 % of the total of disbursed funds as well as 35 % of the number of contributions. The review shall also include any observations from auditors that the Olof Palme International Center should be informed about.

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