# COOPERATION AGREEMENT for Years

#### Project number Project number

## PARTIES

* 1. **Name of Swedish organisation**, a legal entity pursuant to Swedish law, constituting a non-profit association with registration number Registration number and having its office at Address of Swedish organisation, Telephone number (the “Swedish project organisation”). Authorised to sign for the organisation according to documents (statutes, meeting minutes, etc.) is Name and position of person authorised to sign.
	2. **Name of Cooperation organisation**, a legal entity pursuant to Country law with registration number Registration number and having its office at Address, telephone Telephone number (the “Cooperation organisation”). Authorised to sign for the organisation, two jointly, according to documents (statutes, meeting minutes, etc.) are Name and position of person authorised to sign and Name and position of person authorised to sign.

## PURPOSE OF THE AGREEMENT

* 1. The purpose of this agreement is to regularize the relations between the parties to the agreement with regard to the realisation of the cooperation project **Name of the project** with project number **Project number** (the “Project”).

## THE PROJECT

* 1. The project objective is: Project objective
	2. The Cooperation organisation as well as the Swedish project organisation must appoint, and inform the other party of, the person/s responsible for the project implementation. Should there be a change in who is responsible, this must be communicated to the other party.

## COMMITMENTS OF PARTIES AND REALIsATION OF THE PROJECT

* 1. The Swedish project organisation shall, in accordance with the terms and conditions of this agreement, put **SEK** ***Total amount to be transferred to the Cooperation organisation*** at the Cooperation organisation’s disposal. Funds will be available for disbursement according to the following time schedule:

**Year:** SEK Total amount to be transferred

**Year:** SEK Total amount to be transferred

**Year:** SEK Total amount to be transferred

**Year:** SEK Total amount to be transferred

**Year:** SEK Total amount to be transferred

The project shall be carried out in line with the detailed budget provided yearly no later than **day and month** to the Swedish project organisation.

* 1. The Cooperation organisation undertakes to:
* Take responsibility for the realisation of the project in accordance with the adopted project plan.
* Use of the allocated financial resources in accordance with the budget in Annex 4.
* To account for and report in accordance with the instructions of paragraph 9 and paragraph 10.
	1. All amendments or deviations from adopted project plans and budgets shall be reported to and approved by the Swedish project organisation.
	2. The Cooperation organisation undertakes to see to that the project is carried out with staff that undertakes to comply with the guidelines in “The Palme Center Code of Conduct” Annex 1.

## PAYMENTS

* 1. Disbursement of funds is conditional upon filled out **Request for Funds** is handed over to the Swedish project organisation. Disbursement of funds is conditional upon the submission of the specified documentations below to the Swedish project organisation.

[***The standard procedure is that the Cooperation organisation receives funds twice a year. If, for some reason, this has to be modified to include more payments in the year, the text below can be modified accordingly***]

**Payment 1:** Fifty percent (50%) of the total amount for the relevant year is transferred in payment 1. With the first Request for Funds the following documentation must be attached:

* A signed copy of this agreement, including the signed budget;
* Signed extract from minutes that clearly states the persons authorised to sign for the project.

**Payment 2:** The remaining fifty percent (50%) of the total amount for the relevant year is transferred in payment 2. With the second Request for Funds the following documentation must be attached:

* Midyear report according to paragraph 9.1.
	1. Payment of the granted funds will be made to the Cooperation organisation’s bank account in Bank name, Bank address, account number, SWIFT, and Iban code. The bank account, transactions, and withdrawals from the bank account shall be cosigned by at least two authorised signatories. Transfers of the granted funds in the form of cash are not allowed. The Funds shall be held under an obligation to render accounts for the Funds according to paragraph 10. Written approval from the Swedish project organisation is needed in cases where the Cooperation organisation has limited or no opportunity to comply with this paragraph.

## REIMBURSEMENT OF GRANTs AND INTEREST

* 1. Funds made available but not utilized during the period and terms for which the funds have been granted, must be accounted for and repaid to the Swedish project organisation unless otherwise agreed by the parties in the form of a written amendment, such as a prolongation of the Project. Amounts under SEK 1,000 do not require reimbursement.
	2. Interest earned on the granted funds may be retained by the Cooperation organisation. The interest shall be used for the activity supported under this agreement, otherwise it should be repaid to the Swedish project organisation. Remaining funds and interest at a total amount of less than SEK 1,000 do not require reimbursement at the end of the agreement period.

## PROCUREMENT

* 1. The Cooperation organisation shall in all purchases made with the granted funds observe good business practice. Where competition exists, it must be used. All purchases of services and goods with a value exceeding SEK 284 000 shall be made in competition. In addition, a written price comparison shall be made of all purchases of services and goods with a value exceeding SEK 75 000. The “Procurement guidelines for the Olof Palmes Internationella Center and Funds Distributed by the Center” (Annex 2) shall be followed. If the Cooperation organisation has a procurement policy with lower thresholds than the Palme Center policy, the Cooperation organisation’s policy shall prevail.

## REPORTING AND ACCOUNTING

* 1. The Cooperation organisation shall hand in a **midyear expenditure report** to the Swedish project organisation after the first half of the year covered. The midyear expenditure report shall consist of a short descriptive report on the development of the project as well as an accounting statement of funds previously paid out as compared with the budget (not audited).
	2. The Cooperation organisation shall no later than **Day Month** each year submit a **yearly report** in two parts on the project operation during the preceding project period to the Swedish project organisation.

The first part shall include **a narrative report** in which the results achieved shall be compared with targets and project plan. The reason for deviations, if any, from the project plan shall be explained and motivated.

The second part shall contain **an audited financial report** with a statement of cash funds received. The disposition of the statement shall be the same as that of the budget (Annex 4) and shall be signed by the auditor and the person authorised to sign for the Cooperation organisation. The Cooperation organisation shall submit a signed Expenditure Specification, a signed Accumulative budget report, and a signed template for Transfer of Assets (only applicable final year) with the financial statement.

## AUDIT

* 1. The Cooperation organisation is responsible for the provision of annual audits of the project. The audit shall be carried out by an external, independent, and qualified auditor. The audit shall be carried out in accordance with international standards issued by the International Federation of Accounts (IFAC). The auditor shall examine that the information provided in the financial report matches the financial information in the narrative report. Another task is to verify whether the organisation has complied with the agreement between the Cooperation organisation and the Palme Center, as well as the Palme Center guidelines. If the Cooperation organisation channels grants to another party, the auditor shall check that there are agreements with the third party and that the “Olof Palmes Internationella Center’s Audit Instructions for Partners and Member Organisations” (Annex 3) are used.
	2. A copy of the certification document that supports the auditor’s title must be sent to the Swedish project organisation and the Palme Center. The Swedish project organisation shall be informed of and approve any changes of the auditor.
	3. The auditor shall submit an Audit Report according to ISA 800/805, a fact that also needs to be clearly stated in the report for it to be approved, which shall express an opinion whether the submitted annual Financial Report is in accordance with the organisation’s accounting records and agreed budget. The Audit Report shall be made according to “Olof Palmes Internationella Center’s Audit Instructions for Partner and Member Organisations” (Annex 3).
	4. The auditor shall also enclose a **Management Letter,** according to the instructions in Annex 3, including findings that the auditor has made during the audit. If there are no important observations to report this must be stated. The Management Letter shall state the extent of the audit and the audit method used. It shall also report if the project has been carried out in accordance with the agreement and the approved budget. The Management Letter shall state which measures have been taken as a result of previous Management Letters and whether adequate measures have been taken in order to deal with reported shortcomings. Noteworthy deficiencies should also be included in the Management Letter.
	5. The Cooperation organisation is required to write a **Management Response** to the Auditor's Management Letter, regardless of whether the Letter contains any findings. In the event of any findings, the Management Response should address, clarify, and provide an action plan outlining the steps to implement the recommendations.
	6. If the Cooperation organisation channels grants to a third party, this should be brought up in the Audit report and it needs to be stated if audits have been carried out in accordance with ISA and the “Olof Palmes Internationella Center’s Audit Instructions for Partner and Member Organisations” (Annex 3) in all organisations subsequently in receipt of funds.
	7. If the Cooperation organisation channels financial funds to a recipient organisation the Cooperation organisation shall be responsible for that yearly audits of those funds are performed according to the above stated requirements.
	8. The Cooperation organisation shall cooperate with and assist the Swedish project organisation, the Palme Center, and/or Sida in the performance of any additional audits, follow-ups and financial studies that the Palme Center may request.

## INFORMATION AND SECURITY

* 1. Reports, accounts, and any other relevant documentation shall be preserved and upon request be provided to the Swedish project organisation, the Palme Center, Sida, and Swedish governmental auditors for a period of seven (7) years from that the project has received its last payment.
	2. Representatives of the Swedish project organisation, the Palme Center, and Sida are entitled to monitor the project on site during and after the project period and examine books of account, vouchers, and other accounting material. During the period of the project or after its completion, an evaluation and/or external audit may be made on site by the Swedish project organisation, the Palme Center or Sida.
	3. The Cooperation organisation is required to store and move contracts, bookkeeping accounting, and other for the Project relevant documents in a safe manner.
	4. The Cooperation organisation shall in its information about the project inform that the Project is supported by Sida and the Palme Center. The information shall disclose that the Project is entirely or partially financed by Sida and the Palme Center, and that Sida and the Palme Center have not contributed to the formulation of the information material or activities, and that Sida and the Palme Center do not have a position towards expressed ideas, unless otherwise agreed.

## EFFECTIVE PERIOD AND TERMS OF AGREEMENT

* 1. This agreement shall apply during the period **Day Month Year** **to Day Month Year.** If no new agreement will be entered into between the Swedish project organisation and the Cooperation organisation, the Cooperation organisation’s obligations under this Agreement shall, however, apply until a report and a financial statement, comprising all funds received, has been submitted to and approved by the Swedish project organisation, the Palme Center and Sida. Project funds paid from the Swedish project organisation but not utilised according to the terms of this agreement shall be repaid to the Swedish project organisation.
	2. Should the Cooperation organisation, in the opinion of the Swedish project organisation, seriously neglect its obligations under this Agreement is the Swedish project organisation entitled to prematurely and with immediate effect terminate this Agreement. All funds paid to the Cooperation organisation shall immediately be repaid to the Swedish project organisation upon such termination.

## LIMITATION OF LIABILITY

* 1. If the Swedish project organisation, for reasons beyond its control, cannot provide funds granted under this Agreement, no compensation liability to the Cooperation organisation shall ensue, provided that the Cooperation organisation has been notified without unreasonable delay.

## GOVERNING LAW AND DISPUTE RESOLUTION

* 1. In the event of a dispute arising between the parties by reason of this agreement, this shall be resolved by a Swedish court applying Swedish law.

## Annexes

* 1. In addition to what is stated in this Agreement, the Project shall be governed by the following Annexes, all of which form an integral part of this Agreement:
1. The Olof Palmes Internationella Center’s Code of Conduct
2. Procurement guidelines for the Olof Palmes Internationella Center and Funds Distributed by the Center
3. The Olof Palmes Internationella Center’s Audit Instructions for Partner and Member Organisations
4. The Project Budget
5. Any other Appendices if applicable, remove if not needed.

By signing this Agreement and the Budget (**Annex 4**), the Cooperation organisation confirms that all of the above listed Annexes have been read and accepted and that the Project shall be implemented according to the Agreement including all Annexes.

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| --- | --- | --- |
| For Olof Palmes Internationella Center |  | For Full legal name of Cooperation organisation     |
|  |  |  |
|  Date and Location  |  | Date and Location |
|  |  |  |
| Insert name and Title |  | Name and Title |

**ANNEX 1**

**THE OLOF PALMES INTERNATIONELLA CENTER’S CODE OF CONDUCT**

Type of document: Policy

Approved by: The Palme Center Board 2017-03-22

Responsible for document: Secretary General

Latest update: 2021-06-09

Latest review: 2023-02-22

The Olof Palme International Center (the Palme Center) and our member organisations represent the Swedish labour movement and its long and proud history of international solidarity work. This work has given us a good reputation within the international community, in many individual countries of the world and among past and present partner organisations. We are seen as a reliable, effective, democratic and transparent international partner.

The code of conduct reflects the fundamental values of the Swedish labour movement and provides guidance on how to act as a representative of the Palme Center. The purpose of the code of conduct is to maintain the good reputation of the Swedish labour movement and to ensure that all those who represent the organisation in different ways demonstrate a high level of professionalism in their work and to make accountability possible.

A number of other steering documents express the basic vision and objectives of the Palme Center and should be seen as an integral part of the code of conduct. These include the Palme Center's statutes, the operational policy, our policies on gender equality, anti-corruption, environment and climate, and conflict sensitivity, as well as our security instructions when travelling.

The code of conduct covers all individuals and organisations that in any form enter into agreements with the Palme Center. This means that in all cases, you must behave and act in accordance with the code of conduct and be alert and act to reduce the risk of violations.

**GENERAL PRINCIPLES**

The Olof Palme International Center operates in the spirit of Olof Palme for democracy, human rights, and peace. Tolerance, understanding, and solidarity are fundamental values of the Palme Center and a prerequisite for international development cooperation.

The Palme Center's international solidarity work is based on relationships. These relationships between different actors: staff at the Palme Center, member organisations, partner organisations and other international organisations are a prerequisite for our work and should be characterised by mutual respect and sensitivity. Those covered by the code of conduct are expected to set an example in this respect and to be constructive and respectful in any conflict situations. There is a duty to be as professional as possible and to do everything possible to ensure that relations within your area of responsibility are the best possible.

The financial, material, and human resources of the Palme Center shall be managed responsibly. Acting responsibly means acting cost-effectively at all times, respecting the rights of individuals and giving consideration to the climate and the environment.

**RULES OF CONDUCT**

**Conflict of interest**

A conflict of interest exists when decisions are likely to be taken with an intent other than the best interests of the mission. A conflict of interest can exist whether something actually happens or if there is only a risk that it can be perceived as such. The existence of family ties, friendship relationships, or economic relationships between persons in the operation may affect the perception of the Palme Center's credibility, impartiality, and independence. The existence of a conflict of interest is particularly sensitive in relation to people within the target group and/or persons who are in any way involved in the project activity. This applies to the management of financial resources, contracting, procurement, travel, assignment of mission and participation in activities. Those covered by the code of conduct shall report possible conflicts of interest to the Palme Center’s coordinator, management, or Board. It is important to be particularly careful and abundantly clear if there is any uncertainty.

**Improper use of position of power**

The activities of the Palme Center, which take place with and among people and organisations that to varying degrees rely on our support, are characterised by power relationships. This applies both in Sweden and in other countries. A position of power must never be used improperly for its own benefit or at the expense of others. An economic, or other close relationship with a person who is, or may be perceived to be, dependent on you is inappropriate and shall be avoided, as through such a relationship you risk exposing the other party to negative consequences, both in the current relationship and in the future. Should such a relationship arise, the coordinator or the management of the Palme Center shall be informed as soon as possible. In addition, a position of power must not be used to give other people advantages they would not normally have enjoyed. Conduct and relations shall be carried out in such a way that there can never be a perception that different services or benefits are expected or required.

**Corruption**

The Palme Center defines corruption as an abuse of trust or power which results in undue profit, often financial, for a person, an organisation, or a political party. Corruption includes bribery, embezzlement, and fraud, as well as conflict of interest, nepotism and cronyism. What is perceived as corrupt behaviour is partly subjective and culturally determined and it is therefore important to have a dialogue on these issues with everyone involved in the activity. Corruption goes hand in hand with a lack of transparency and participation. The Palme Center, our member organisations and our partners all have an important role to play in the anti-corruption work. Those covered by the code of conduct shall therefore both act proactively and react to suspected irregularities in the projects or organisation with which they are working. If such are found, contact your immediate manager or the Secretary General of the Palme Center.

In order to protect those covered by the code of conduct from suspicions of impropriety, gifts, remuneration, services or other financial benefits with more than a purely symbolic value should not be accepted. Consult with your immediate manager in case of uncertainty.

For more information on anti-corruption work, see the Palme Center’s anti-corruption policy.

**Security**

Security concerns the work environment, safety, health and well-being of employees and partners, as well as the sustainability of the activities. The Palme Center has organisational security responsibilities for its employees and is responsible for discussing security aspects and measures with member organisations and partner organisations. But safety and risk awareness are also a responsibility of the individual employee.

Security must be taken into account when planning accommodation and travel and must also be taken into account outside of working hours. Those covered by the code of conduct should do their utmost not to expose themselves or others to risk during their mission. It is important to be aware of, and avoid, risk behaviours that could lead to yourself, your colleagues or partners facing situations of conflict or reprisals by authorities, threats, violence, blackmail, or other dangers. It is particularly important to take precautions when parts of project activities are sensitive and/or confidential. Information shall be handled with great care and communication shall be made using special communication channels. This applies to all communications and information, especially digital. Carelessness can directly endanger partners, colleagues, and yourself.

It is important to keep up to date with the country's security situation, follow the Swedish Ministry for Foreign Affairs’ travel recommendation, the Palme Center's "Travel Safety" instructions and "Guidelines on Confidentiality Management".

**Media and information management**

The dissemination of information through various channels is a central part of the Palme Center's operations. It is an effective way of getting our message and our goals across. Those covered by the code of conduct are expected to follow some key principles in relation to the media and the public. If you express yourself in the name of the Palme Center or can be seen as a representative of the Palme Center, the views you express shall be in line with the Palme Center's position. Public platforms, such as social media, where applicable, shall not be used to reveal sensitive information or otherwise used in such a way as to put the Palme Center's reputation at risk. Disclosure of confidential information risks seriously compromising the security of partners and activists, compromising the Palme Center’s effectiveness, and reducing our credibility. Discretion is therefore expected, and confidential information must not be disseminated. Information that has not been made public and that is known to you because of your position may not be used for private benefit. It is understood that this does not affect the exchange of information within operations in order to ensure the greatest possible ownership and participation.

**Alcohol and drugs**

A restrictive approach to alcohol shall be observed in all operations in Sweden and in other countries. Alcohol consumption is only permitted in exceptional cases, such as public dinners and similar events. On these occasions, it is important that alcohol consumption is moderate. An 'alcohol relationship' must not be developed within the framework of the Palme Center's activities and project funds must never be used to buy alcohol, which shall be financed privately or from the organisation's own resources. Meetings and decisions must not be moved to the pub or similar establishments and the offering of alcohol must not become a way of socialising. When on trips on behalf of the Palme Center, you should also restrict your alcohol consumption during your leisure time since you are a representative of the Palme Center throughout your stay. Alcohol consumption is strictly forbidden when travelling by car and, as a passenger, you should always react if you suspect that the driver is under the influence of alcohol. All forms of involvement with and consumption of substances classified as narcotics are prohibited both during working hours and leisure time. Exceptions are made if the substances relate to prescription medicine for your own use.

**Discrimination and harassment**

The Palme Center condemns all forms of harassment and discrimination, and any such occurrences will never be tolerated. No single person or group, regardless of gender, age, ethnicity, religion, sexual orientation, social status, political opinion, or functional variation may be discriminated against. Within the framework of international solidarity, this commitment is also important as a proactive approach and cooperation should promote the participation of all people on equal terms and must not make participation more difficult or impossible for anyone. No individual shall in any way be subjected to sexual harassment, whether in physical or mental form. Sexual harassment is behaviour in working life of a sexual nature that violates a job seeker or worker. It can involve touching, groping, jokes, suggestions, glances, and images that are sexually evocative and devaluing. It is the victim who decides whether or not the behaviour is unwelcome.

**Sexual abuse and sexual exploitation**

All forms of sexual abuse and exploitation are prohibited, as are all forms of sexual contact between adults and children. It is unacceptable to exploit the vulnerability of a person or group in the context of development cooperation or humanitarian work.

**Purchase of sexual services and use of pornographic material**

The purchase of sexual services is prohibited. All transactions, money, employment, goods, or services, in exchange for sexual acts or other forms of degrading behaviour and exploitation are prohibited. The purchase of sexual services here does not only refer to the purchase of sexual services from prostitutes, it also includes what is sometimes called "private assistance", that is, payment of bills, rents, clothing, school fees, and so on in exchange for sexual services. Visits to brothels, porn, strip clubs or similar establishments are not permitted. Furthermore, pornographic material must not be consumed using the technical equipment provided by the Palme Center, where applicable. If possible, hotels which distribute pornography through their television services should also be avoided. Any involvement with child pornography material is strictly prohibited.

**Organised crime**

Activities linked to organised crime exist in many parts of society. These may include, for example, purchasing cheap capital goods in markets, exchanging money, choosing accommodation, visiting restaurants, and booking hotels and conference facilities. It is important to be aware of the existence of organised crime in order to avoid indirectly supporting it. One way to obtain information is to check with the local coordinator, manager and/or partner organisations in the country before making reservations.

**WHEN THE CODE OF CONDUCT IS INSUFFICIENT**

In situations that are perceived as borderline cases and are not described in the code of conduct, you should ask yourself: Is it legal, fair and ethical? Are you sure that the Palme Center, as an organisation, would not be damaged if the situation became known to the outside world? Would you accept the situation if you were a partner of the Palme Center, a colleague, a representative of a donor organisation or other interested party? If there is still uncertainty, contact your immediate manager.

**VIOLATIONS OF THE CODE OF CONDUCT**

Violations of the code of conduct or any suspicion of such shall be reported to the Palme Center's coordinator, management or Board who are required to investigate the matter and take any action. It is not always clear what is to be regarded as an infringement or not. Those covered by the code of conduct are encouraged to consult the Palme Center's coordinator, management or Board for advice. An active and open dialogue is essential.

Given that information regarding violations may be very sensitive, it shall always be handled with care, both by the person providing the information and by the person receiving it. There is also an opportunity to provide information via the Palme Center's whistle blowing function on the website.

The code of conduct is an integral part of all the agreements signed by the Palme Center. This means that the Palme Center has the opportunity to take contractual action in the unlikely event of a breach.

The employee suspected of an infringement shall be informed in writing of the suspicions and be given ten days to respond before any disciplinary action is taken. Violations may result in disciplinary sanctions, the most extreme effect of which is dismissal or dismissal.

Swedish law is applicable to those covered by the code of conduct whether in Sweden or in other countries. National legislation shall be complied with as long as it does not conflict directly with international conventions. If an infringement concerns a suspicion of a crime, the person concerned may also be reported to the police in Sweden or elsewhere.

**OWNERSHIP AND FOLLOW-UP**

The content of this policy is reviewed and adopted annually by the Board of the Palme Center. The Secretary General is responsible for ensuring that the policy and related documents are known and complied with in operations and that follow-up of compliance with the policy is conducted annually.

**ANNEX 2**

**PROCUREMENT GUIDELINES FOR THE OLOF PALMES INTERNATIONELLAL CENTER AND FUNDS DISTRIBUTED BY THE PALME CENTER**

Type of document: Guidelines

Adopted by: Deputy Secretary General 2015-01-08

Responsible for document: Deputy Secretary General

Latest update: 2022-02-10

Latest review: 2022-02-10

These Guidelines are applied to the entire Olof Palme International Center and to partners who have contracts with and funds from the Palme Center including funds from Sida. However, if purchases are made with funds from the EC, special rules may apply.

NOTE! That if the national laws call for stricter procurement regulations, these are to be followed.

1. **Why procurement?**

All development cooperation activities shall be characterised by efficient use of resources, the promotion of good administrative practices, transparency in the management of funds, the hindrance of corruption. The organisation always has the responsibility for procurements made by themselves or by their partners.

This means that the organisation, when purchasing goods and services, shall observe good business practice in their procurements. Where competition exists, it must be used. Tenders and bidders shall be treated equally to achieve competition on equal terms.

1. **When to make a procurement?**
* For services and goods for the amount of SEK 75 000 or above, a written price comparison shall be made.
* For services and goods for the amount of SEK 284 000 or above shall be procured in competition.

These price levels run over a 12-month period which means that you have to plan ahead. If a service provider/company will be used several times over a 12-month period, and each individual payment is below the price level, but the total exceeds the price level, a price comparison or procurement must be made.

Another scenario might be that when purchasing a service for the second time of the same company, you discover that it will exceed the levels for procurement/price comparison. In this case, a price comparison or procurement must be made.

A third scenario might be that a colleague has already used the service of the same company, and that in combination with your purchase, the total sum exceeds the level for procurement or price comparison. In this case a price comparison or procurement must be made. It is the responsibility of the person purchasing the service to check whether it is necessary to make a price comparison or procurement.

It is not allowed to divide a purchase into smaller parts to avoid a procurement.

If you are using an agency that books hotels, conference venues, tickets etc. this agency must be procured if the sum charged by the agency exceeds the price level. If the agency only charges you for their fee, which goes below the price level, whereas hotels etc. are paid directly by the organisation, a procurement does not have to take place. NOTE that the agency has to be aware of our procurement guidelines, so they in turn can obey to the correct rules.

A framework agreement follows the routines stated below, see 4. The difference is that in the terms of reference it must be stated that it is a framework agreement. The framework agreement has to be reviewed every second year.

1. **Price comparison versus procurement in competition**

A price comparison means that Terms of Reference (ToR) are drafted. Based on these ToR, the person in charge for the price comparison selects at least three options and makes a price comparison. The three options do not have to be from the same country. An invitation to tender does not have to be prepared; the options may for example be identified through an online search, etc. The terms of reference, the evaluation record along with the decision shall be documented in line with the procurement in competition, see paragraph 4.

A procurement in competition means that the Terms of Reference (ToR) are drafted. An invitation to tender must also be sent to at least three parties or advertised on a publicly accessible forum. This is the difference between a full procurement and a price comparison.

1. **How to make a procurement in competition?**
2. The terms of reference together with commercial conditions shall be included in invitations to tender. It is important that the specifications are neutral. Where reference to a certain brand or trade name is necessary, “or similar” shall be added.
3. Invitations to tender shall be sent to at least three parties or advertised in a publicly accessible forum so that effective competition can be achieved. Participation in tender procedures is open on equal terms to all natural and legal persons. If not all the three parties answer the invitation to tender the procurement is still valid and you can continue with the tenders that you have received.
4. Tenders may not be invited merely for purposes of comparison. A company that is invited to submit a tender shall also be able to expect that it is being seriously considered as a supplier.
5. The make-up of the group of companies invited to tender should not remain permanently the same but should be varied from time to time. Tenders shall be handled by at least three persons from the organisation.
6. The evaluation of tenders must be documented. The tender accepted shall be the one that is considered most advantageous when all the criteria are taken into consideration. At least three persons from the organisation shall sign the evaluation of tenders.
7. In all procurements, the acceptance of a tender and the reasons for its acceptance shall be specified in a special procurement decision, which shall be signed by at least three persons from the organisation.
8. The successful bidder shall be informed in writing as soon as the decision is made. Unsuccessful bidders shall be informed as soon as possible.
9. **Procurement of capital goods**

Procurement of capital goods (products for permanent use) must be approved by the Palme Center in advance. If the initial cost of a capital good exceeds SEK 10 000, the cost of the good shall be spread over several years according to the depreciation regulations in the country where the capital good has been purchased and accounted for. If any value on a capital good remains in the end of the Project period, a new agreement shall be established to regulate the ownership of the capital good.

1. **Procurement of inventories**

In procurement of inventories (equipment, vehicles and accessories) to a value of 22 000 SEK or more, an agreement between the Palme Center and the partner organisation should be written, if it is decided that the inventories shall be owned by the partner organisation. This is to confirm that the inventories belong to the organisation even at the end of the project and that they do not accrue to the Palme Center or persons associated with the project.

1. **Documentation of the procurement**

All relevant documentation relating to procurements shall be kept for seven years. The document must include the Terms of Reference, the invitation to tender, tenderers’ offers, the tender evaluation record and the decision.

Donors have the right to follow up and examine procurements made in projects where they finance all or part of the activities. All procurements must therefore be systematic and well documented. Donors have the right to inspect all documentation relating to these types of procurements.

1. **Exceptions**

In exceptional circumstances the organisation may considers itself obliged to make deviations from the rules for competitive procurements. Deviations from the rules shall be justified and documented. Such exceptions must be approved in advance by the Palme Center.

EXAMPLES OF EXCEPTIONS

* An organisation that acts through an international alliance or network that, in turn, has documented procurement rules may choose to follow the established rules by that party. This shall be regulated through an agreement between the organisation and the party concerned or in a documented approach to procurements by the organisation. The same applies to cooperation with the EU.
* Restrictions with respect to good business practice can be justified by participation in a trade blockade recommended by the UN.
1. **Environmental and legal aspects of procurements**

The organisation ensures that procurements made meet requirements for environmentally sustainable development and give due consideration to the basic human rights as expressed in the ILO’s core conventions.

1. **Exclusion from award of contracts**

Contracts may not be awarded to candidates or tenderers which, during the procurement procedure:

* **are subject to a conflict of interests;**
* **are guilty of misrepresentation in supplying the information required by the Cooperation partner as a condition of participation in the contract procedure or fail to supply this information.**

**ANNEX 3**

Version June 2023

**OLOF PALMES INTERNATIONELLA CENTER’S AUDIT INSTRUCTIONS FOR PARTNER AND MEMBER ORGANISATIONS**



To Auditors auditing projects financed with funds from the Olof Palmes Internationella Center (the Palme Center).

Please note that these instructions replace all previous audit instructions.

**GENERAL INFORMATION**

Partner Organisations (PO) granted funds from the Palme Center for development cooperation projects are required to submit annual audited project reports for the period covered by the contract with the Swedish Member Organisation (MO)/the Palme Center by 1 February each year, unless otherwise agreed with the Swedish Member Organisation (MO)/the Palme Center in writing.

Member Organisations (MO) granted funds from the Palme Center for development cooperation projects are required to submit annual audited project reports for the period covered by the contract with the Palme Center by 1 March each year, unless otherwise agreed with the Palme Center in writing.

All project/s must be audited annually, unless otherwise agreed with the Swedish Member Organisation (MO)/the Palme Center in writing.

The audit must be carried out by an external, independent, and qualified Auditor.

Approved titles for the Auditor:

* Certified Public Accountant (CPA);
* Chartered Accountant (CA); or
* Equivalent according to project country law.

The audit must be conducted in accordance with internationally accepted standards, ISA, issued by the International Federation of Accountants (IFAC). The “Handbook for International Standards on Auditing and Quality Control”.

**OBJECTIVES AND SCOPE OF THE AUDIT**

In the Audit – made in accordance with generally accepted auditing standards – the Auditor must especially examine that the PO/MO has complied with the Agreement between the PO/MO, the MO/the Palme Center, or the PO/the Palme Center, as well as with the Palme Center’s guidelines. The Auditor must also check that the information provided in the financial report matches the financial information in the narrative report.

If the PO/MO channels grants to another party, the Auditor must check that the PO/MO has an Agreement with the third party and that the Palme Center’s audit instructions have been followed in all organisations subsequently in receipt of funds.

Both POs and MOs may receive either:

1) Project funding

2) CORE funding

The reporting and audit requirements differ between the two funding alternatives, as outlined below.

**1. PROJECT FUNDING**

The annual financial report to be submitted by the PO and/or the MO must consist of at least the following documents:

**For both PO and MO, when applicable:**

1. **Accumulative budget report** signed by the person authorised to sign for the PO/MO as well as by the Auditor. Template available at

<https://www.palmecenter.se/resourcecenter/>.

1. **Expenditure Specification report** signed by the person authorised to sign for the PO/MO as well as by the Auditor. Template available at

<https://www.palmecenter.se/resourcecenter/>.

1. **Reporting by the Auditor:**
2. Audit report according to ISA 800/805;
3. Management Letter and Management Response; and
4. Report over Factual findings according to ISRS 4400

The Auditor must also attach a copy of their audit certification/registration document that verifies what kind of certification (CPA, CA etc.) the Auditor holds.

1. **Transfer of Assets** signed by the person authorised to sign for the PO/MO (only applicable final year). Template available at  <https://www.palmecenter.se/resourcecenter/>.

**A) Audit report according to ISA 800/805**

The Auditor must write a report according to ISA 800/805, which must express an opinion whether the submitted annual financial report is in accordance with the following:

* Organisation’s project accounting records; and
* The Olof Palmes Internationella Center’s Accumulative budget and Expenditure Specification reports

It is important that the Auditor’s report clearly states that the audit has been performed in accordance with ISA 800/805 and the Olof Palme International Center’s Audit Instructions. Otherwise, the Palme Center cannot approve the audit.

**B) Management Letter and Management Response**

The Auditor must in addition to the Auditor’s report enclose a Management Letter which must 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 must follow up on any recommendations provided in the audit report for the prior period.

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.

The PO/MO is required to write a Management Response to the Auditor's Management Letter, regardless of whether the Letter contains any findings. In the event of any findings, the Management Response should address, clarify, and provide an action plan outlining the steps to implement the recommendations.

**C) International Standards on Related Services, ISRS 4400**

In addition to the abovementioned findings in the Management Letter, the audit report must contain additional procedures in accordance with the International Standard on Related Services (ISRS 4400). The additional assignment according to agreed-upon procedures ISRS 4400, must be reported separately in an “Report over Factual findings”.

**1. Mandatory procedures that must be included:**

* 1. Observe whether the financial report is structured in a way that allows for direct comparison with the latest approved budget.
	2. Observe and inspect whether the financial report provides information regarding:
1. Financial outcome per budget line (both incomes and costs) for the reporting period and columns for cumulative information regarding earlier periods under the current Agreement;
2. When applicable, verify if the opening fund balance for the reporting period matches with what was stated as closing fund balance in the previous reporting period;
3. A disclosure of exchange gains/losses. Inquire and confirm whether the disclosure includes the entire chain of currency exchange from the Palme Center’s disbursement to the handling of the project/programme within the PO/MO in local currency/ies, if applicable;
4. Explanatory notes (such as, for instance, accounting principles applied for the financial report); and
5. Amount of funds that has been forwarded to implementing partners, when applicable.
	1. Audit staff costs as per below:
6. Inquire and inspect with what frequency salary costs during the reporting period are debited to the project/programme.
7. Important: Choose a sample of three individuals for three different months and inquire and inspect whether there are supporting documentation for debited salary costs.
8. Verify whether actual time worked is documented and verified by a Manager. Inquire and inspect within which frequency reconciliation between debited time and actual worked timed is performed; and
9. Inspect whether the PO/MO complies with applicable tax legislation regarding personal income taxes (PAYE) and social security fees.
	1. Audit of remaining unspent balance as per below:
10. 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; and
11. Applicable the final year only. Inspect and confirm the unspent fund balance (including exchange gains) in the financial report and confirm the amount that must be repaid to the Palme Center.
	1. Inquire and inspect whether the PO/MO has documented its follow up actions based on the information provided in the financial reports and the reporting from the Auditor for previous audits.

**ADDITIONAL PROCEDURES IF PROJECT FUNDS ARE CHANNELLED TO OTHER PARTIES**

Mandatory assignments that must be included if the PO/MO forwards Project funds to other Implementing partners (IPs).

The audit must cover 100% of the total disbursed Project funds or a maximum of 10 IPs.

* 1. Inspect and confirm that the PO/MO has signed Agreement/s with selected IPs.
	2. Inspect and confirm whether the PO/MO, in all agreements entered with IPs, included the requirement to carry out annual audits. The requirement must specify that these audits must be carried out according to ISA 800/805, including Management Letter and Management Response, and ISRS 4400.
	3. Inquire and inspect whether the PO/MO has received financial reports and reporting from Auditors from all IPs included in the selected sample and that the reports are in line with the requirements in the Agreements between the parties.
	4. Inquire and inspect whether the PO/MO has documented its assessment of the submitted financial reports and reporting from Auditors including Management Responses and Action plans from the selected IPs.
	5. Inquire and inspect whether the PO/MO has documented its follow up actions based on the information provided in the financial reports and the reporting from the Auditor of the selected IPs.
	6. Inquire and inspect whether the PO/MO has reported all observations from selected IPs audit reports in its communication with the Palme Center. List observations from IPs audit reports which have been part of this sample.

**2. CORE FUNDING**

The annual financial report to be submitted by the PO and/or the MO must consist of at least the following documents:

**For both PO and MO, when applicable:**

1. **Accumulative budget report for Core funding**, signed by the person authorised to sign for the PO/MO as well as by the Auditor.
2. **Reporting by the Auditor:**
3. Audit report according to ISA 700 or National Standards on Auditing;
4. Management Letter and Management Response.

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

**A) Audit Report According to ISA 700 or National Standards on Auditing**

The Auditor must write a report according to ISA 700 or National Standards on Auditing, which must express an opinion whether the submitted annual financial report is in accordance with the following:

* Organisation’s accounting records;
* The organisation’s total revenue, including a breakdown of revenue per funder;
* A comparison between the actual activity costs for the current and previous reporting periods, including a breakdown of costs per funder;
* Information on interest and/or unutilised funds;
* A list of any amounts that have been forwarded to other parties; and
* Olof Palmes Internationella Center’s Accumulative budget report.

It is important that the Auditor’s report clearly states that the audit has been performed in accordance with ISA 700 or National Standards on Auditing and the Olof Palme International Center’s Audit Instructions. Otherwise, the Palme Center cannot approve the audit.

**B) Management Letter and management response**

The Auditor must in addition to the Auditor’s report enclose a Management Letter which must 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 must follow up on any recommendations provided in the audit report for the prior period.

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.

The PO/MO is required to write a Management Response to the Auditor's Management Letter, regardless of whether the Letter contains any findings. In the event of any findings, the Management Response should address, clarify, and provide an action plan outlining the steps to implement the recommendations.

**ADDITIONAL PROCEDURES IF CORE FUNDS ARE CHANNELLED TO OTHER PARTIES**

Mandatory assignments that must be included if the PO forwards Core funds to other Implementing partners (IPs).

The audit must cover 100% of the total disbursed Core funds or a maximum of 10 IPs.

If Agreement/s regarding Core funds are signed between the PO and IPs, the audit must be conducted in accordance with ISA 700 or National Standards on Auditing, including Management Letter and Management Response.