Annex C

Barnfonden's Terms of Reference for annual audit of project

The Implementing partner is responsible for auditing the project

As a recipient organisation you are responsible for the granted funds being audited by an external, independent, and authorised auditor according to Barnfonden´s latest "Terms of Reference for annual audit of project". Note that signing auditor shall not be contracted for the assignment for more than a 7-year period.

The audit shall be carried out by an external, independent and qualified auditor. The audit shall be conducted in accordance with international audit standards issued by International Auditing and Assurance Standards Board (IAASB). The signing auditor shall not be contracted for the assignment for more than a 7-year period.

BARNFONDEN shall approve the Implementing Partner's selection of the auditor beforehand. Barnfonden may require that the auditor shall be replaced if they find that the auditor has not performed satisfactorily or if there is any doubt to the auditor´s independence or professional standards. A list of vetted auditors shall be provided by Barnfonden. If the Implementing Partner wishes to hire an auditor not included in the list of vetted auditors, it must be duly justified, and a Simplified Tendering (quotation requested) needs to be conducted. The assessment should be based on a technical service evaluation.

BARNFONDEN will conduct training for Implementing Partners on Annual Audit requirements and processes. In connection with the Annual Audit, Barnfonden will hold an entry meeting for Implementing Partners and selected Auditors. This meeting shall be attended by the selected Auditor and at least one representative from each Implementing Partner.

How to use this instruction

This document works as a Terms of Reference (ToR) that you give to the audit firm to ensure that the audit is done according to the existing rules. Include the information about your project in the [brackets]. It is important that you do not remove or change anything in the ToR.

Sida's Standard Terms of Reference for Annual Audit of Project/Programme Support including ISRS 4400 (Revised)

Introduction

[Name of The Implementing partner], hereafter referred to as the "Implementing partner" wishes to engage the services of an audit firm for the purpose of auditing the *Unite for Children, Youth and Environment*, as stipulated in the agreement between the Implementing partner and Barnfonden. The audit shall be carried out in accordance with international audit standards (ISA) issued by IAASB[1]. In addition, an assignment according to International Standards on Related Services (ISRS) 4400 (Revised) shall be carried out. The audit and the additional assignment 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 [xxx to xxx], as submitted to Barnfonden and to express an audit opinion according to ISA, applying ISA 800/ISA 805, on whether the financial report of Children & Youth Leading Inclusive Movements for Adaptation, Transformation & Environmental Resilience (CLIMATE) is in accordance with the Implementing partner´s accounting records and Barnfonden's requirements for financial reporting as stipulated in the agreement including appendices between Barnfonden and Implementing partner (Agreement).

Name of the Implementing Partner	
Donor	
Implementing Country	
Project Name	
Project Number	
Period subject to Audit	
Granted amount for the period	
Audited Expenditures	

[1] The International Auditing and Assurance Standards Board (IAASB)

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

The additional assignment according to agreed upon procedures ISRS 4400 (Revised) shall be reported separately in a "Agreed-upon procedures report". The report should:

- report the findings in accordance with the requirements in the ISRS 4400 (Revised);
- be structured clearly with each procedure and corresponding finding, numbered according to the list below;
- describe the performed procedures;
- when applicable, state the sample size and a description of how the sample has been selected.

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].
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 balance[3] 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 Barnfonden's disbursement to the handling of the project/programme within the organisation in local currency/ies, if applicable. Inspect and confirm whether the principle applied for managing currency exchanges is included as a note to the financial report.
   d) Explanatory notes (such as, for instance, accounting principles applied for the financial report).
   e) Amount of funds that have 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:

[2] The budget is attached to the agreement with Barnfonden as an annex and any updates should be supported by a written approval by Barnfonden.
[3] I.e. funds remaining from disbursements made during previous reporting period/s

b) Inquire and inspect whether there are supporting documentation[4] 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 Implementing partner comply with applicable tax legislation with regard to personal income taxes (PAYE)[5] and social security fees.

4. Review and confirm that the Implementing partner screens 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 Barnfonden.

6. The audit shall include a review of all procurement processes with a contract value exceeding SEK 50,000, Excluding VAT assessing the quality of documentation and compliance with applicable procurement regulations. Any costs related to procurements where the process is deemed insufficiently documented shall be considered non-eligible. If no procurements processes above the contract value of SEK 50,000 Excluding VAT have been conducted the audit shall review the purchasing process of a selection of three (3) high value contracts, assessing the quality of documentation and compliance according to the procurement regulations.

III. The reporting

The reporting shall be signed by the responsible auditor (not just the audit firm[6]) and shall include the title of the responsible auditor. It should include shall include the following parts:

I. An independent auditor's report in accordance with ISA 800/805, according to point I below.

II. A Management Letter, according to point II below.

III. An "Agreed-upon procedures report" according to ISRS 4400 (Revised), according to point II below.

I. Reporting from the ISA assignment

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 financial report that has been the subject of the audit shall be attached to the audit report.

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[4] Debited salary costs should be verified by supporting documentation such as employment contracts.
[5] Pay As You Earn
[6] If the audit firm is obliged to sign, refer to relevant legislation. Barnfonden still needs to know who has been responsible for the audit assignment.

II. Management letter

The reporting shall also include a Management letter that discloses all audit findings, as well as weaknesses identified during the audit process. The auditor shall make recommendations to address the identified findings and weaknesses. The recommendations shall be presented in priority order and with a risk classification.

Measures taken by the Implementing partner to address weaknesses identified in previous audits shall also be presented in the Management Letter. This includes, if applicable, projects funded by ForumCiv during 2023-2025 with shortcomings reported. If the previous audit did not have any findings or weaknesses to be followed-up on, a clarification of this must be disclosed in the audit reporting.

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.

III. Reporting from the ISRS 4400 (Revised) assignment

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

Signatures

With their signature, the undersigned certify the fulfilment of the requirements of these terms of reference and its existing rules.

The Implementing Partner	**Auditor**
______________________ Place and date	______________________ Place and date
______________________ Signature	______________________ Signature
______________________ Name	______________________ Name
______________________ Organisation	______________________ Title and firm