Version 1.3 of April 2023

Annex [specify]

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

Introduction

The Sarajevo Open Center, hereafter referred to as the "Cooperation partner" wishes to engage the services of an audit firm for the purpose of auditing the Strategic Plan 2024-2028, as stipulated in the agreement between the Cooperation partner and Sida. 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 **01-01-2026 –31-12-2027** as submitted to Sida and to express an audit opinion according to ISA, applying ISA 800/ISA 805, on whether the financial report of the Strategic Plan 2024-2028 is in accordance with the Cooperation partner´s accounting records and Sida's requirements for financial reporting as stipulated in the agreement including appendices between Sida and Cooperation partner (Agreement).

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

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:

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

[2] The budget is attached to the agreement with Sida as an annex and any updates should be supported by a written approval by Sida.

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 Sida's disbursement to the handling of the project/programme within the organisation in local currency/ies, if applicable.

d) Explanatory notes (such as, for instance, accounting principles applied for the financial report).

e) Amount of funds that has 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:

   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 Cooperation partner comply with applicable tax legislation with regard to personal income taxes (PAYE)[5] and social security fees.

4. Review and confirm that the Cooperation partner screens IP's and/or 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 Sida.

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.

[3] I.e. funds remaining from disbursements made during previous reporting period/s
[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. Sida still needs to know who has been responsible for the audit assignment.

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.

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 Cooperation partner to address weaknesses identified in previous audits shall also be presented in the Management Letter. 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.

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.