**Audit Instruction regarding the performance of audit tasks related to activities covered by Ministry of Foreign Affairs of Denmark (MFA) - with Disabled People's Organisations Denmark (DPOD)**

This instruction covers the audit tasks required by Disabled People's Organisations Denmark (DPOD) in connection with projects funded by Ministry of Foreign Affairs of Denmark (MFA).

1. The auditor of the project shall be appointed by the partner or organization's competent assembly. The audit must be performed by a chartered accountant or certified public accountant from an audit firm of high repute. DPOD’s Danish auditor has the overall supervision of the local audit of expenses abroad.

1.2 If the auditor is changed, the acceding auditor must contact the leaving auditor who is required to inform Partner, DPOD and the acceding auditor of the reasons for the termination of the contract.

1.3 The auditor shall confirm in writing to Partner that he/she will carry out the audit in accordance with this instruction.

2. The financial audit has to be conducted in accordance with International Standards on Auditing (ISA’s) as well as performance and compliance audit have to be conducted according to recognized international standards issued by IFAC/INTOSAI.

2.1 The audit shall verify whether the accounts are accurate and whether the transactions covered by the project financial statement are consistent with the appropriations granted, Grant Agreements with DPOD, signed contracts and laws and other regulations in the area of grants management. The auditor also assesses whether due financial considerations have been taken in the management of the grant included in the project financial statements.

3. The scope of the audit depends on the Partner’s structure and practices, including internal control and other matters of importance for the presentation of the financial statements and administration of the funds according to DPOD’s accounting procedures.

4. The Project (partner) need to send locally audited project financial statements conducted according to these standards annually for all activities outside Denmark to DPOD.

As part of the audit, the auditor examines the Partner's organizational structure and existing administrative procedures with a particular emphasis on accounting, financial management and adequate internal control. Substantive audit is performed as a spot check examination of the vouchers and their correct registration in the bookkeeping based on an assessment of materiality and risk.

4.1 The auditor shall ensure that the Partner sets up the project financial statements in accordance with the requirements in the administrative guidelines. The auditor shall, in particular but not limited to, examine whether:

• The project financial statements present a fair and true view, and do not contain significant errors or omissions,

• The financial requirements of the Project Agreement are met,

• Whether the audit has given rise to significant remarks and whether it is with modification.

• The financial statements have been reconciled with the Partner's annual financial statements and/or the bookkeeping.

• During the compliance audit, it is examined whether the grant management has met the requirements made for it. The audit is planned and performed in accordance with IFAC/INTOSAI (ISSAI 4000).

• The performance audit examines whether economy, efficiency and effectiveness has been taken into account in the grant administration. The audit is conducted in accordance IFAC/INTOSAI (ISSAI 3000) and based on the Partner's accounting report, strategic plan, performance report and other reporting to DPOD on goals and results, and on economy, efficiency and effectiveness.

• The auditor must verify that grant funds are segregated from other funds either in the organization's accounting system or using a separate bank account and that there is no mix of the grant funds and the Partner's own funds.

4.2 The auditor has to verify whether the Partner has practiced reasonable economy thrift in the administration of the grants.

The following are examples of the areas that the organisation must practice satisfactorily and that the auditor will inspect, most likely through random spot checks.

1. The procedures and control mechanisms related to approval of vouchers are satisfactory. The approval of a voucher must ensure that the voucher is based on economy thrift.
2. Payroll costs for individual staff are reasonable when compared with relevant comparable local organizations, salary statistics, guidelines, or the like.
3. Competitive quotations have been obtained in relation to procurement of goods and services.
4. Available assets are being kept in an appropriate manner and according to rules and regulations (the administrative guidelines) When it’s relevant – if there are assets in the project.

5. The Partner shall provide the auditor with the information that may be considered to be of importance for the assessment of the project financial statement and for the auditor's assessment of the management, including objectives and results achieved. The Partner shall allow the auditor to conduct the investigations deemed necessary by the auditor and ensure that the auditor receives the information and assistance that may be deemed necessary for the performance of the audit.

6. If the auditor becomes aware of any sign of fraud or material breaches of the Grant Agreement and the MFA administrative guidelines, it is the responsibility of the auditor to immediately inform the Partner’ management and competent assembly and to ensure that notification of the findings are shared with DPOD within 3 weeks. Otherwise, it is the duty of the auditor to inform DPOD.

6.1 The same shall apply if, during the audit or otherwise, the auditor becomes aware that the continuation of operations is uncertain for economic or other reasons.

7. The audited project financial statements shall be accompanied by an independent auditor’s report in accordance with the guidelines (Annex 1 Template for Independent auditors report) from in DPOD, which shall state that the accounts have been audited in accordance with ISA, IFAC/INTOSAI and the rules in this instruction.

7.1 The auditor shall submit a management letter (whether there are comments or not). The letter shall include but not necessarily be limited to information about:

• Which audit actions has been carried out and the result thereof,

• Significant uncertainty, errors or omissions regarding the Partner's accounting or internal control,

• The performance audit carried out, including especially auditor's assessments and conclusions regarding economy, efficiency, and effectiveness as well as dispositions that fall outside the Grant Agreement with DPOD.

• Further description if the project financial statements are with modification and significant remarks in the independent auditor’s reports.

The management letter should state whether the auditor complies with the legislation's eligibility rules, whether the auditor has received all the information requested during the audit and whether the auditor has commented on the use of the grant.

7.2 The audited project financial statement and management letter shall be submitted by the Partner to DPOD at the latest 3 months after the project period ends.

8. It is the responsibility of the Partner to obtain the auditor's written consent to revise the grant in accordance with this instruction.