

Audit Instruction

concerning the performance of audit tasks in connection with DAPP

1. The audit of the Ministry of Foreign Affairs of Denmark (MFA) funded project shall be performed by the auditor agreed upon in the consultancy agreement between MFA and Youth Inclusion and Employment Consortium dated 1 April 2022. The auditor must be a chartered accountant and must be able to conduct the audit in accordance with the International Standards on Auditing (ISA) and standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI).

1.1 In case of a change of auditor, the newly appointed auditor must approach the resigning auditor, who is obliged to inform the PARTNER, PlanBørnefonden and the newly appointed auditor about his reasons for resigning.

1.2 The auditor shall confirm in writing to PlanBørnefonden and the PARTNER that he will carry out his audit in accordance with the present instruction.

2. The auditor must verify the correctness and accuracy of the Project Financial Statements/accounts and check whether the transactions covered by the accounts are in conformity with the Project document, the consultancy agreement between MFA and Youth Inclusion Consortium, contracts and the legislation and other rules and guidelines for grant management. The auditor must also assess whether due economic considerations have guided the transactions covered by the accounts.

3. The scope of the audit will depend upon the organisational structure and the administrative procedures of the PARTNER, including the internal control and other conditions pertinent to the accounting process.

4. As part of the audit the auditor will examine the PARTNER's organisational structure and existing procedures with special focus on accounting practices, financial management and internal control. The audit of financial transactions will be based on spot check examinations of the quality of voucher material and its correct recording in the books, with a view, among other things, to assessing its significance and risk.

4.1 At the audit the auditor will verify:

- 1) that the accounts have been prepared as prescribed by the Consultancy Agreement of 1 April 2022;
- 2) that the accounts are correct and accurate and do not contain significant errors or omissions;
- 3) that the financial provisions contained in the Consultancy Agreement and minutes of negotiations with MFA have been complied with, and
- 4) that the transactions comprised by the accounts are in conformity with the conditions and general objectives for the grants as agreed with MFA

4.2 The auditor will also verify whether the PARTNER has practised reasonable economies in the administration of the grants, and that the Project is managed with an attitude based on thrift.

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

- a) 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 thrift.
- b) Payroll costs for individual staff are reasonable when compared with relevant comparable organisations, salary statistics, guidelines, or the like.
- c) Fees are based on time actually worked on execution of the services by the Key Staff as listed in the Appendix 3 "Contract Price and Budget" and whether fees are subject to VAT.
- d) VAT that is included and refunded by local tax authorities, verify that VAT has been properly computed and reflected in the financial statements and in the invoices.
- e) Competitive quotations are being obtained in relation to procurement of goods and services and if applicable procurement guidelines are followed.
- f) Available assets are being kept in an appropriate manner and according to rules and regulations.
- g) Detailed performance audit in relation to economy, effectiveness and efficiency.
- h) Proper allocation to the appropriate budget lines against the approved budget for payment of fees and reimbursable expenses under the agreement.
- i) Detailed audit in the form of sample checks of third party documentation (eg. vouchers, receipts, invoices) except for expenses covered by subsistence allowance and audit expenses. Samples are determined at the auditors's professional judgement.

The following requirements should be included except cash receipt

- Name and address of Invoice recipient's
- Name and address of Invoice issuer
- Date of Invoice
- Description of the delivery, incl. quantity and nature of the delivered goods, so it is possible to see the connection with the project

4. The PARTNER management is required to give the auditor any information that may be material to the auditor's assessment of the accounts and of the PARTNER's administration of the Project grant. Similarly, the PARTNER management must give the auditor access to initiating any examination that he



considers necessary and ensure that the auditor receives the information and assistance needed for performing the audit.

5. If the audit of the grant management and accounting uncovers illegal activity or significant non-compliance with the stipulations of the Consultancy agreement and the administrative guidelines, the auditor is required immediately to inform the PARTNER management and board, and to ensure that the PARTNER informs PlanBørnefonden. The information to PlanBørnefonden must be accompanied by the auditor's observations on the matter. If the PARTNER fails to forward this information to PlanBørnefonden, it is the obligation of the auditor to do so.

5.1 The instructions contained in 5. also apply if the auditor, either as part of his audit or in other ways, draws the conclusion that, for economic or other reasons, the continuation of the Project is at risk.

6. The audited accounts must carry the auditor's endorsement according to ISA 800 using the example in Annex C5, stating that the accounts have been audited in accordance with the guidelines in the present Audit Instruction. The endorsement must also comprise the auditor's qualifications, if any. The audit shall be written in English.

6.1 The auditor shall keep an audit record, containing information on audit tasks performed and the results.

The audit record for the accounts must contain information as to whether the auditor fulfils the rules on competence to act, whether the auditor has received all information requested during the audit, and whether the auditor has comments on the use of the grant funds.

6.2 A copy of the audit record is to be forwarded to PlanBørnefonden or the Danish auditor of PlanBørnefonden on re-quest.

6.3 The attached checklist (Annex C4), together with the endorsed accounts and the management letter with your more detailed comments to the audit, is to be sent to PlanBørnefonden through the partner.

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