

Annex 4d:

Instruction regarding the performance of audit tasks related to State grant financed activities in Denmark and abroad administered by pooled funds and networks (projects below DKK 500.000)

This instruction describes the audit tasks that the Ministry of Foreign Affairs of Denmark (MFA) requires be performed in relation to the host organisation's/grantee's financing of project activities below DKK 500.000. The instruction applies to all activities included in the budget approved by the MFA. As such, the audit instruction includes all activities within programme and project activities for both pooled funds and the host organisation's own supporting activities as well as other activities, administration, and audit. Both the host organisation, the grantee, and the local partner are subject to its application. The legal basis for giving instructions in the area of audit is encompassed in the annual finance acts and in the guidelines for the management of grant financing from the MFA to pooled funds and networks, to which this instruction is an annex.

§ 1. The audit is carried out by an independent, certified auditor. For grants below DKK 100,000, however, the audit can also be carried out by a non-certified accountant appointed by the association. In the latter case, the accountant must meet regular capacity requirements, i.e. there must not be any apparent circumstances that might raise doubts as to her/his independence.

§ 2. The audit must verify whether the project accounts are accurate and whether the transactions covered by the financial statement are consistent with the appropriations granted, the guidelines for the management of grant financing, the signed contracts and laws, and other regulations in the area of grants management. The auditor also assesses whether due financial considerations have been taken into account in the management of the grant included in the project accounts.

§ 3. During the audit, the auditor must verify whether:

- The project accounts are fair and do not contain significant errors or omissions,
- The grant requirements are met, including the requirements in the guidelines for the management of grant financing,
- The grant is used in accordance with its purpose and funding basis,
- The grantee has taken into account due financial considerations, including considerations relating to economy, efficiency, and effectiveness,
- The organisation has provided the host organisation with correct and adequate information about the attainment of its objectives,
- The accounts from local partners outside of Denmark have been submitted and either duly documented by accompanying annexes or audited by a local auditor. The auditor makes a general assessment of the extent and quality of the local audit and examines whether the local audit has given rise to significant remarks and whether it is with

modification. If the local audit is with qualifications, this must be mentioned in the audit statement to the Danish accounts,

- The financial statement of the project has been reconciled with the host organisation's/grantee's annual financial statement.

(2) The audit can be performed as a spot check examination based on an assessment of materiality and risk.

(3) The auditor must verify that grant funds are segregated from other funds either in the organisation's accounting system or by use of a separate bank account, and that there is no mixing of the grant funds and the host organisation's own funds.

The auditor must also verify that grant funds that are transferred by the host organisation/grantee to a grantee/local partner are segregated from other funds either in the organisation's accounting system or by use of a separate bank account, and that there is no mixing of the grant funds and other funds.

§ 4. The host organisation's/grantee's/local partner's management must provide the auditor with information that may be considered to be of importance for the assessment of the financial statement and for the auditor's assessment of the management, including objectives and results achieved. Management must allow the auditor to conduct those 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.

§ 5. If the auditor becomes aware of any sign of fraud or material breaches of the agreement or funding basis, it is the responsibility of the auditor to immediately inform the grant giver's management and competent assembly and to ensure that notification of the findings along with the auditor's remarks are shared with the host organisation within three weeks. Otherwise, it is the duty of the auditor to inform the host organisation.

(2) The same must apply if, during the audit or otherwise, the auditor becomes aware that the continuation of operations is uncertain for financial or other reasons.

§ 6. The audited project accounts must be accompanied by an audit statement which must state that the accounts have been audited in accordance with the rules in this instruction. Modifications must be mentioned in the audit statement.

§ 7. It is the responsibility of the host organisation/grantee/local partner to obtain the auditor's written consent to audit the grant in accordance with this instruction.