

Terms of Reference

CREST Project Annual Audit

I. Introduction

The International Organization for Migration (IOM), hereafter referred to as the “Cooperation partner” wishes to engage the services of an audit firm for the purpose of auditing the Support to “Asia: Enhancing Corporate Responsibility in Eliminating Slavery and Trafficking in Asia (CREST project)”, 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 IAASB¹. In addition, an assignment according to International Standards on Related Services (ISRS) 4400 shall be carried out. The audit and the additional assignment shall be carried out by an external, independent and qualified auditor.

II. Objectives and scope of the audit

The objective is to audit the financial report for the period 1 January 2023 – 31 December 2023 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 CREST project 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).

III. Additional assignment: according to agreed upon procedures ISRS 4400, 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 budget².
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 balance³ 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.

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.

³ I.e. funds remaining from disbursements made during previous reporting period/s

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 documentation⁴ 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 (PAYE⁵) and social security fees.
4. 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.
5. a) Inquire a list of all purchased services and goods during the reporting period and identify five transactions with the highest value of different types of procurements. Inspect and confirm whether the selected transactions are in compliance with the procurement guidelines as referred to in the agreement.
b) Inquire and confirm whether there is repeated procurement of service providers during the reporting period. Identify all transactions and determine whether they were subject to bidding procedures and in compliance with procurement requirements.

Follow up of funds that are channelled to implementing partners

Mandatory assignments that must be included if the Cooperation partner forward funds to implementing partners (IP's):

Choose a sample of a minimum of 50 % of the total of disbursed funds as well as 50 % of the number of IP's or a maximum of 10 IP's.

- 2.1 Inspect and confirm whether the Cooperation partner has signed agreements with the selected IP's.
- 2.2 Inquire and inspect whether the Cooperation partner has followed -up the selected IP's according to IOM's internal controls and monitoring of implementing partners.
 - a) Inquire and inspect whether the Cooperation partner has received narrative and financial reports from all IP's.
 - b) Inquire and inspect whether the Cooperation partner has verified the reported expenditures from IPs by checking supporting documents and monitoring visits, according to IOM's internal controls and monitoring of implementing partners.
 - c) Inquire and inspect whether IP's expenditures are recorded in IOM's accounting system after IOM approval of narrative and financial report.
- 2.3 Confirm whether sample of expenditures charged under selected IP's are audited by IOM's external auditor. The report shall contain details regarding the audit methodology and the scope of the audit.

⁴ Debited salary costs should be verified by supporting documentation such as employment contracts.

⁵ Pay As You Earn

IV. The reporting

The reporting shall be signed by the responsible auditor (not just the audit firm⁶) and shall include the title of the responsible auditor.

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 assignment

The additional assignment according to agreed upon procedures ISRS 4400 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.

When applicable, the sample size shall be stated in the report.

V. Timeline

1 – 2 April 2024: Audit by financial review site visit and document examination at the IOM Ho Chi Minh sub-office (the actual dates are subject to change based on review of IOM's financial documents)

22 - 27 April 2024: Auditor submits an Audit Memorandum or a Management Letter to IOM Ho Chi Minh

17 May 2024: IOM submits the Audit Report and the Audit Memorandum/Management Letter to Sweden

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.