Audit instruction 2024-2027 (ver. 2)

# Terms of Reference for Annual Audit of Project/programme Support including ISRS 4400

# Introduction

Swedish unions and/or Global Union Federations (hereafter called “the Cooperation partner”) that have been granted funds for trade union development projects or programmes must yearly submit an audited financial report covering all the activities carried out during the previous calendar year (January 1 – September 30, 2025). The report shall be submitted to *Union to Union* on 30 November 2025 at the latest.

The , hereafter referred to as the “Cooperation partner” wishes to engage the services of an audit firm for the purpose of auditing the project(s)/programme as stipulated in the agreement between the Cooperation partner and *Union to Union*.

The audit shall be carried out in accordance with international audit standards (ISA) issued by IAASB[[1]](#footnote-1). In addition, an assignment according to International Standards on Related Services (ISRS) 4400 shall be carried out.

The audit (A) and the additional assignment (B) shall be carried out by an external, independent and qualified auditor.

# Objectives and scope of the audit

The objective is to audit the financial report for the period 2025-01-01 to 2025-09-30 as submitted to *Union to Union* and to express an audit opinion according to ISA, applying ISA 800/ISA 805, on whether the financial report of project(s)/programme is in accordance with the Cooperation partner´s accounting records and *Union to Union*´s requirements for financial reporting as stipulated in the agreement including appendices between *Union to Union* and Cooperation partner (Agreement).

# 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 budget**[[2]](#footnote-2).
2. **Observe and inspect** whether the financial report provides information regarding:
   1. Financial **outcome per budget line** (both incomes and costs) for the reporting period and **columns for cumulative information** regarding earlier periods under current agreement.
   2. When applicable, **compare** if the **opening fund balance**[[3]](#footnote-3) for the reporting period matches with what was stated as **closing fund balance** in the previous reporting period.
   3. **A disclosure of exchange gains/losses**. Inquire and confirm whether the disclosure includes the entire chain of currency exchange from *Union to Union´s* disbursement to the handling of the project/programme within the organisation in local currency/ies, if applicable.
   4. Explanatory notes (such as, for instance, accounting principles applied for the financial report).
   5. Amount of **funds that has been forwarded to implementing partners**, when applicable.
3. **Inquire and inspect:**
   1. **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*:**

* 1. whether there are **supporting documentation**[[4]](#footnote-4) for debited salary costs.
  2. 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.**
  3. Inspect whether the Cooperation partner **comply with applicable tax legislation** with regard to personal income taxes (PAYE)[[5]](#footnote-5) and social security fees.

1. Review and confirm that the partner is reviewing implementing partners and/or suppliers to ensure that these parties are not included in the European Union's list of persons, groups and organisations subject to financial sanctions (EU sanctions list).

Ask whether any results of the review have been reported and, if so, report on these results.

1. Inspect and confirm:
   1. 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.**
   2. 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 *Union to Union.*

## 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 40 % of the total of disbursed funds as well as 30 % of the number of IP’s or a maximum of 10 IP’s.

1. Inspect and confirm whether the Cooperation partner has **signed agreements** with the selected IP’s.
2. Inspect and confirm whether the Cooperation partner, **in all agreements entered with IP’s, included the requirement to carry out annual audits.** The requirement shall specify that these audits shall be carried out with application of ISA (reporting according to ISA 800/805) and a separate assignment according to ISRS 4400 should be included for project/programme support.

If agreements regarding **core support** are entered into with IP’s, the audit shall be conducted in accordance with ISA 700 or National standards on auditing.

1. Inquire and inspect whether the Cooperation **partner has received financial reports and reports from auditors from all IP’s** included in the selected sample:
   * 1. Inquire and inspect whether the Cooperation **partner has verified if reports from IP’s are in line with the requirements in the Agreement**.
     2. Inquire and inspect whether the Cooperation **partner has documented its assessment** of the submitted financial reports and reporting from auditors including management responses and action plans from selected IP’s.
     3. Inquire and inspect whether the Cooperation **partner has documented its follow-up actions based on the information provided in the financial reports and the reporting from the auditor** of the selected IP’s.
     4. Inquire and inspect whether the Cooperation **partner has reported substantial observations[[6]](#footnote-6) from selected IP’s audit reports in its communication with *Union to Union***. List observations[[7]](#footnote-7) from IP’s audit reports which have been part of this sample.

### *Union to Unions* additional assignments

1. Review that an organizational assessment has been done before entering in agreement with organizations at subordinate level.
2. If the Cooperation partner has agreements on subsequent levels with local partners for less than 75 000 SEK, the auditor shall review if the Co-operation partner has a written approval from *Union to Union* to include the costs on subsequent level in the Cooperation partners own audit.

If the Cooperation partner has an approved exception from *Union to Union* permitting local audit to be done at regional level the auditor shall review that the agreed stipulated special routines and conditions is adhered to.

1. If the Cooperation partner has an approved exception from *Union to Union* permitting transfer of funds outside of the international banking system, the auditor shall review that the agreed stipulated special routines and conditions is adhered to.
2. Review that the project/program funds are deposited in a bank account that requires two authorized signatories jointly, until funds are spent on the project/programme or paid out to organizations at subordinate levels.
3. That any interest accruing to the project/programme is included in the financial reports.

# The reporting

The reporting shall be signed by the responsible auditor (not just the audit firm[[8]](#footnote-8)) 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.

**The audit report must include an opinion, as stated below:**

*Opinion*

*We have audited the statement of income and expenditure of (Organisation) for (the Project/Project no) for the period from January 1 to September 30, 2025 and notes to the statement of income and expenditure, including a summary of significant accounting policies (together "the financial statement").*

*In our opinion, the accompanying financial statement presents fairly, in all material respects, the income and expenditure of (the Project/Project no), for the period from January 1 to September 30, 2025 in accordance with the cash income and expenditure basis of accounting described in Note I.*

*Basis for Opinion*

*We conducted our audit in accordance with International Standards on Auditing (ISA800/805). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are independent of the Organisation in accordance with the ethical requirements that are relevant to our audit of the financial statement in (country), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.*

1. The International Auditing and Assurance Standards Board (IAASB) [↑](#footnote-ref-1)
2. The budget is attached to the agreement with Union to Union as an annex and any updates should be supported by a written approval by Union to Union. [↑](#footnote-ref-2)
3. I.e. funds remaining from disbursements made during previous reporting period/s [↑](#footnote-ref-3)
4. Debited salary costs should be verified by supporting documentation such as employment contracts. [↑](#footnote-ref-4)
5. Pay As You Earn [↑](#footnote-ref-5)
6. Deemed substantial by the Cooperation partner. [↑](#footnote-ref-6)
7. Observations included in Management Letters and if applicable, qualified audit reports. [↑](#footnote-ref-7)
8. If the audit firm is obliged to sign, refer to relevant legislation. *Union to Union* still needs to know who has been responsible for the audit assignment. [↑](#footnote-ref-8)