



DANISH INSTITUTE FOR
PARTIES AND DEMOCRACY

AUDIT GUIDELINES

DIPD Guidelines for reporting, accounting and auditing of funding for projects approved by the Board of the DIPD.

1. OBJECTIVE

- 1.1. The objective of the audit of annual accounts and final accounts for projects funded by the DIPD with funding from the Ministry of Foreign Affairs, prepared by the management of the parties/partners, is to provide the accounts with an audit report.
- 1.2. The financial audit and the performance audit must be carried out by a recognised audit company, using international standards (IFAC/INTOSAI) and in accordance with the DIPD guidelines.
- 1.3. It is the obligation of the party/partner to obtain written confirmation from the auditor that he/she will perform the audit in accordance with these guidelines for auditing.

2. SCOPE AND PERFORMANCE

- 2.1. The auditor must prepare and carry out the audit with a view to ensure that the accounts do not contain essential misrepresentations and shortcomings.
- 2.2. The audit must be in conformity with sound auditing principles and shall comprise whatever initiatives the auditor may find necessary.
- 2.3. The auditor must assess the procedures of the party/partner, registration routines, and internal control procedures covering DIPD grants. These procedures/routines must comply with the DIPD guidelines, including sound bookkeeping practice and accounting principles, and must make a credible basis for the preparation of the accounts.
- 2.4. The auditor must make sure, that the conditions for the grant have been respected, including the regulations in the project agreement with the DIPD and other guidelines from DIPD.
- 2.5. The auditor must control that the grant has been used in accordance with the intentions and objectives of the grant as described in the project document.
- 2.6. The auditor must assess whether the implementing organisation has developed a sound practice of managing budgets and finances.
- 2.7. The auditor must verify that the balances in the project accounts have been reconciled with the general accounts of the implementing organisation.
- 2.8. The auditor must ensure that funds disbursed by DIPD are registered in a separate bank account and that all transfers to the account have been reconciled and checked with the transfers from the DIPD.
- 2.9. The management of the party/partner should give the auditor all necessary information of significance to assist the audit of the accounts. The project management must give the auditor assistance and access to make any examination, which the auditor considers to be necessary, as well as giving access to any information needed in order to perform the audit.
- 2.10. The auditor is requested to plan and implement an unannounced audit visit once in the project period.
- 2.11. If the audit of the project management and accounting discloses illegal activity or significant breaches of the project agreement with DIPD, the auditor is required immediately

to inform the management of the applicant and to ensure that the applicant informs DIPD immediately. The information to DIPD must include the auditor's remarks to the matter. If the applicant fails to inform the DIPD about the matter, it is the obligation of the auditor to do so.

Similarly, if the auditor, either as part of his audit or in other ways, gets the impression that the project management appears to be too unstable to continue for financial or other reasons, it is the obligation of the auditor to inform the applicant and DIPD.

3. AUDIT REPORT

- 3.1. The auditor must prepare a report on the audit of the accounts, and the report must include:
 - 3.1.1. *identification of the party/partner, project/appropriation and accounting period;*
 - 3.1.2. *confirmation that the accounts have been audited in accordance with the regulations in the present guidelines;*
 - 3.1.3. *a statement of the nature and scope of the audit;*
 - 3.1.4. *an assessment of and information about any misrepresentations in the internal control procedures, bookkeeping and accounting practice of the party/partner;*
 - 3.1.5. *a conclusion and a statement concerning the audit.*
- 3.2. In case the auditor has not been able to audit part of the accounts, a statement to this effect must be produced indicating the reason.
- 3.4 The auditor may attach an audit protocol to his report.

4. CONCLUSION AND STATEMENT

- 4.1. The conclusion should be based on the independent audit of the accounts.
- 4.2. The auditor's statement shall comprise information to the effect, that:
 - 4.2.1. *during the audit the auditor has been provided with all requested information;*
 - 4.2.2. *in the auditor's opinion the audit is in conformity with sound accounting principles, including a statement to this effect;*
 - 4.2.3. *the accounts comply with the party/partners bookkeeping;*
 - 4.2.4. *the grant has been used in accordance with the objectives within the approved project document; and*
 - 4.2.5. *all expenditures have been paid.*
- 4.3. The auditor's conclusion and statement must be unequivocal, clear, and comprehensible.
- 4.4. In case the auditor makes a qualification of the audit, he/she must do so explicitly.

5. ENTRY INTO FORCE

These guidelines must be included as an annex to the partner agreement between the Danish party and its partner (Party grants), or the DIPD secretariat and its partner (Multiparty grants) and shall enter into force at the same time as this agreement is signed by both parties.