

[Date]

Auditor's Report on Agreed-upon Procedures

[To Recipient organization of the grant = the local organization]

We have performed the procedures agreed with you and enumerated below, relating to the annual report on the [name of the project]. The [project] was implemented by [the local organization]. The annual report, totaling [total costs] [currency] for the period of [dd.mm.20yy-dd.mm.20yy], was signed by [the contact person of recipient organization of the grant] on [date].

Our engagement was undertaken in accordance with the International Standard on Related Services 4400 applicable to agreed-upon procedures engagements taking into account the conditions set out in the discretionary government transfer decision for programme/project support. The following procedures were performed solely to assist the Threshold Association and Ministry for Foreign Affairs of Finland in evaluating whether the annual report has been drawn up, and the funds have been used for intended purposes, in accordance with general conditions for the use of discretionary government transfers and additional conditions for programme support.

- 1) We obtained a mutually signed valid agreement of cooperation with the Threshold Association and [the local partner organization] in order to find out whether
 - the parties have a valid agreement of cooperation,
 - the agreement of cooperation has been adhered to and
 - the financial project report correspond with the agreement of cooperation.

Additionally, we obtained the instructions issued by the Threshold Association including the reporting and interviewed [name and position] whether the instructions have been adhered to.

- 2) We obtained [the local partner organization's] project accounting documents, a description of how the project accounting is arranged and interviewed [name and position] in order to find out
 - does the [the local partner organization] have an adequate double-entry bookkeeping system in place, including journal and general ledger, and
 - what bookkeeping software is used.
- 3) We obtained a documentation on working time recording and interviewed [name and position] in order to find out how the employee's working time recording is arranged.
- 4) We obtained the project's budget and activity plan approved by the Threshold Association and performed the following
 - compared the actual figures to the budgeted figures, and
 - checked whether the annual report includes explanations of budgetary deviations over 15 %.
- 5) We reconciled the financial figures presented in the financial section of the annual report with the project accounting in order to find out does the annual financial figures in the annual report match up with the bookkeeping. The reconciliation included matching

- the opening balance of funds between the bookkeeping and the auditor's report of the previous year,
- received funds between the bookkeeping and the annual report,
- incurred costs between the bookkeeping and the annual report and
- received but unused funds between liabilities in bookkeeping and ending balance of the annual report.

Additionally, we reconciled the official bank account statements and cash books relating to the [project] with the bookkeeping as of [date / end of reporting period] and calculated [the local partner organization's] cash and reconciled the amount with the bookkeeping as of [the date of performing the agreed-upon procedures].

- 6) With regard to the information in the cost statement, the following procedures were carried out. The procedures covered at least 30 % of the wages and salaries reported for the project and at least 15 % of the payment of wages and salaries reported for the project.
- We tested that at least 30 % of total wages and salaries are based on properly signed contracts and an adequate working time recording.
 - We tested that at least 15 % of total wages and salaries have been paid.
 - We tested social security expenses including pensions and taxes have been recorded and paid to relevant authorities in accordance with the national legislation.
- 7) With regard to the information in the cost statement, the following procedures were carried out. The procedures covered at least 30 % of the costs (other than personnel-related costs) reported for the project and at least 15 % of the payments of the costs (other than personnel-related costs) reported for the project.
- We tested that the recorded costs are based on supporting documentation,
 - We agreed the audit trail from general ledger to the project financial reporting,
 - We assessed the eligibility of costs against the funding agreement and project budget.
 - We tested that the costs were approved according to the [local partner organization's] [approval guidance].
 - With regard to the costs inspected, we assessed whether the procurement instructions issued by the Threshold Association have been adhered to.
 - With regard to taxes (other than personnel-related) we assessed whether they have been appropriately recorded and timely paid out to relevant authorities.
- 8) We obtained a list of fixed assets and performed the following procedures:
- We assessed if the list was maintained up-to-date.
 - We reconciled the list and the changes in the list with the bookkeeping.

Additionally, we checked that at the termination of projects adequate documents of the transfer of the fixed assets have been prepared and signed.

- 9) We interviewed [name and position] in order to find out the following:

- How [the local partner organization] ensures that the funds has not been, even temporarily, used for any other than project purposes.
- What kind of procedures does [the local partner organization] have with the original documents of all valid essential contracts (e.g. agreements with authorities, rental, lease, service agreements).
- Has there been any indication of fraud, corruption, money laundering or terrorism in any form.

10) Based on information we received during performing the agreed-upon procedures, we assessed whether any internal control deficiencies have come to light, which are significant in terms of project funding. If during performing the agreed-upon procedures we see a conflict between the financial section of the annual report and the other sections of the annual report, we report our observations.

We report our findings below:

- 1) In Item 1 we observed that
 - the parties have [not] a valid agreement of cooperation [that was signed [date]],
 - based on our observations during this engagement the agreement has [not] been adhered to
 - the financial [programme/project] report [does not] correspond[s] with the agreement of cooperation.
 - Additionally, we obtained [the instructions issued by the Threshold Association including the reporting and procurement instructions. Based on the interview with [name and position], the instructions have [not] been adhered to [if not, please specify]].
- 2) In Item 2 we observed that [the local partner organization's] project accounting is arranged [describe how the project accounting is arranged and comment does the [the local partner organization] have an adequate double-entry bookkeeping system in place, including journal and general ledger, and what bookkeeping software they are using.]
- 3) In Item 3 we observed that [the local partner organization's] working time recording is arranged [describe how the working time recording is arranged.]
- 4) In Item 4 we obtained the project's budget approved by the Threshold Association on [date] totaling [total budgeted costs] [currency]. We also [tested that]
 - the actual figures in annual report is [not] in line with the budget and
 - the annual report [does not] include[s] explanations of budgetary deviations over 15 %.
- 5) In Item 5 we reconciled the project accounting with the financial section of the annual report:
 - the opening balance of funds [amount, currency] [does not] match[es] between the bookkeeping and the auditor's report of the previous year [in case of not matching please specify],
 - received funds[does not] match[es] between the bookkeeping and the annual report [in case of not matching please specify],
 - incurred costs [does not] match[es] between the bookkeeping and the annual report [in case of not matching please specify] and
 - received but unused funds [amount, currency] [does not] match[es] between liabilities in bookkeeping and ending balance of the annual report. [in case of not matching please specify]

Additionally, we reconciled the official bank account statements and cash books relating to the [project] with the bookkeeping as of [date / end of reporting period] with [no differences / difference of [amount of difference] and calculated [the local partner organization's] cash [amount, currency] and reconciled the amount with the bookkeeping as of [the date of performing the agreed-upon procedures].

- 6) In Item 6 we tested that:
- [%] of total wages and salaries is based on properly signed contracts and an adequate working time recording,
 - [%] of total wages and salaries have been paid and
 - social security expenses including pensions and taxes have been recorded and paid to relevant authorities in accordance with the national legislation.
- 7) In Item 7 we observed that the costs tested:
- Were [not] based on supporting documentation [in case of inadequacy, please specify].
 - The audit trail from general ledger to the project financial reporting was [not] [adequate and complete].
 - We did [not] recognize [any] suggestions that the costs examined would not have been eligible according to the funding agreement and project budget [please specify].
 - The costs were [not] approved according to the [local partner organization's] [approval guidance] [please specify].
 - The procurement instructions issued by the Threshold Association have [not] been adhered to [please specify].
 - The taxes (other than personnel-related) have [not] been appropriately recorded and timely paid out to relevant authorities. [if not, please specify].
- 8) In Item 8 we observed that:
- The list has [not] been maintained up-to-date by the [local partner organization.]
 - The list and the changes in the list [does not] reconcile[s] with the bookkeeping [in case of deviations, please specify].

Additionally, we ensured that at the termination of projects, adequate documents of the transfer of the fixed assets have [not] been prepared and signed. [please specify].

- 9) In Item 9 we inquired [name and position] to find out the following:
- [describe how [the local partner organization] ensures that the funds has not been, even temporarily, used for any other than project purposes.]
 - [describe what kind of procedures [the local partner organization] have with the original documents of all valid essential contracts (e.g. agreements with authorities, rental, lease, service agreements)]
 - [if there has been any indication of fraud, corruption, money laundering or terrorism in any form, describe specifically].
- 10) In Item 10 we point out that based on the information we received during performing the agreed-upon procedures, we have [not] detected any internal con-

trol deficiencies which are significant in terms of project funding [specify if internal control deficiencies have been detected]. We have [not] detected a conflict between the financial section of the annual report and the other sections of the annual report [specify if conflicts have been noted].

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance of the abovementioned issues.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the second paragraph of this report and is not to be used for any other purpose. The report or part of it may not be copied, otherwise duplicated or be given to a third party. [According to the Finnish Act on the Openness of Government Activities (621/1999), the report is a public document, with the exception of business and professional secrets that the recipient has clearly labeled as commercial and professional secrets, ie. confidential information, in accordance with Section 24 para. 20 of the Act on the Openness of Government Activities. The obligation of professional secrecy does not apply to information that the Ministry for Foreign Affairs of Finland declares or gives to a third party on the basis of an authority or a law.] Our Report only applies to the annual report detailed above; it does not apply to the recipient's complete financial statements.

[Location and date]

[Auditing firm]

[The person responsible for the engagement]
[Authorised Public Accountant/Certified Auditor]

[Where the text is in brackets [] it should be edited or removed.]