

Annex IV

Sida's Standard Terms of Reference for Annual Audit of Project Support

Introduction

Brief presentation of LA MISION DE OBSERVACION ELECTROAL MOE, hereafter referred to as the 'Cooperation partner':

The Cooperation partner wishes to engage the services of an audit firm for the purpose of auditing the project "A Regional Open Democracy: New Challenges for a Country in Transition to Peace", as stipulated in the agreement between the Cooperation partner and Sida. The audit shall be carried out in accordance with international audit standards issued by IAASB¹. The audit shall be carried out by an external, independent and qualified auditor.

I. Objectives and scope of the audit

The objective is to audit the financial report for the period 2020-01-01 to 2020-12-31 as submitted to Sida and to express an audit opinion according to ISA 800/805 on whether the financial report of the project "A Regional Open Democracy: New Challenges for a Country in Transition to Peace" is in accordance with Sida's requirements for financial reporting as stipulated in the agreement including appendix between Sida and Cooperation partner.

Sida's disbursement to the partner a total amount off SEK 4 797 645, divided in two tranches:

- SEK 3 397 645 disbursed in May 2020
- SEK 1 400 000 disbursed in December 2020

As of December 31, 2020, it is estimated a budget execution of 1,170,000 COP in 900 documents related to accounts and causation (causacion) and 2,000 accounting documents of transfers, adjustments and others associated with causation (causacion), in total 2,900 documents for sampling.

¹ The International Auditing and Assurance Standards Board (IAASB)

. Additional assignment; according to agreed upon procedures ISRS 4400, review the following areas in accordance with the Terms of reference below

Mandatory assignments that must be included:

1. Follow up whether salary costs debited to the project are recorded throughout the duration of the year in a systemized way and examine whether the salary costs can be verified by sufficient supporting documentation.
2. Examine whether the financial report includes a comparison, for every budget item, between the actual costs/expenditures of activities and the budgeted costs/expenditures in the budget dated 20 May 2020, as approved by Sida for the period 1 January to 31 December 2020.
3. Examine whether the financial report includes all items listed in General Conditions article 2.2 (Annex II to the agreement), as referred to in the agreement's article 5.1 "Reporting & recovery".
4. Based on materiality and risk the auditor shall examine whether there is supporting documentation related to incurred costs. Regardless of materiality of the findings the auditor shall quantify the amount for costs lacking sufficient supporting documentation.
5. Examine whether foreign exchange gains/losses are disclosed as a separate item in the financial report as well as disclosed in accordance with what is stipulated in the agreement including appendices and generally accepted accounting principles.
6. The cooperation partner's compliance with the applicable tax legislation with regard to taxes (e.g. PAYE)² and social security fees.
7. Follow up whether the cooperation partner has adhered to the procurement guidelines annexed or referred to in the agreement.
8. Review if outgoing balance for previous period is the same as incoming balance for the current period.
9. If the cooperation partner applies modified cash basis as accounting principle, the auditor shall describe used method and describe possible effects on the accrual accounting within the project.
10. Verify the unspent balance at the end of the financial year against accounting records and its supporting documentation.

² Pay As You Earn

III. The reporting

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

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 independent auditor's report shall clearly stipulate that the audit has been conducted in accordance with ISA 800/805. The reporting shall also include a Management letter that discloses all audit findings (significant and other findings), as well as weaknesses identified during the audit process. The financial report that has been subject of the audit shall be attached to the audit reporting. The auditor shall make recommendations to address the identified findings and weaknesses. The recommendations shall be presented in priority and risk order.

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.

Measures taken by the organisation to address weaknesses identified in previous audits shall also be presented in the Management Letter. This includes follow-up whether the Cooperation Partner has implemented the recommendations from the "assessment of internal control/carta a la gerencia" for the period ending September 2018 and 31 December 2019.

The additional assignment according to agreed upon procedures ISRS 4400 under section II, shall be reported separately in a "Report of factual findings". The size of the sample of reviewed audit reporting shall be stated in the report.