

Audit instruction

Swedish unions and international trade union organizations which were granted funds for trade union development projects in the South, in Eastern Europe and Central Asia, must submit annually, no later than **February 28**, audited financial reports to the LO-TCO Secretariat. Reports should cover all activities carried out during the previous calendar year (January 1 – December 31). *Please note that different rules apply to information and communications projects; consult separate instructions.*

All projects must be audited annually and costs of auditing should be included in the project budget: This applies to all levels where costs are incurred by Swedish Unions, Global Unions, regional trade union offices and field organisations.

The audit should be carried out by a qualified, independent auditor in accordance with international auditing standards published by the International Federation of Accountants (IFAC) or the International Organisation of Supreme Audit Institutions (INTOSAI). Audit reports should include a statement guaranteeing that these standards have been respected.

Apart from the auditor's review complying with generally accepted auditing standards, the auditor should also check that the project conforms to the original agreement with the LO-TCO Secretariat and its instructions for financial reports. The auditor should also check that the financial report is compatible with the project's narrative report.

Financial reports should be presented on the LO-TCO Secretariat template (7A and B) and in the currency detailed in the application for each cost level. Reports should be completed in accordance with the LO-TCO Secretariat's instructions for financial reports.

The auditor should submit an **audit report** that complies with ISA 805, including the auditor's statement on conformity of the economic and financial reports specified in the organization's book-keeping and the agreed project budget, conformity with the Agreement, and should also include the assessment of whether funds have effectively been transferred to subsequent cost levels.

The auditor shall also include a Management Letter, in which he/she should comment on the organization's internal control. If funds have been transferred to subsequent cost levels, the Management Letter should include his professional opinion of the organization's internal control with regard to auditing at subsequent levels. The Management letter shall also assess the organization's compliance with regard to previous Audit recommendations.

The following items should be included in the Management Letter:

- ✓ The scope of examination and methods used.
- ✓ Agreement and budget: That the project was implemented according to agreements and approved project budget.
- ✓ Agreement: That there are written agreements on forwarding project funds at all levels.
- ✓ Internal control: That there is evidence of systems of internal governance and control as well as audit control at subsequent levels.
- ✓ Protection of funds: Project funds of all parties involved in the project chain should be deposited in separate bank accounts. Income and expenses must not be incorporated into funds intended for other union activities.

- ✓ Interest: any interest accrued from project funds should be included in the project's financial report to the LO-TCO Biståndsnämnd. Interests created within the project may be used for project activities.
- ✓ Own contribution: the organization's own contribution agreed on with the LO-TCO Secretariat should consist of cash income such as membership fees (Swedish union membership fees to Global unions can be registered as income) at each cost level. Estimated costs for voluntary work CANNOT be entered as own contribution.
- ✓ Procurement regulation: There should be evidence that procurement within the project is in accordance with Sida regulation in Sweden and with international, regional and field levels.

Examination of audits carried out in the field should ensure that:

- ✓ The auditor contracted in the field is independent and qualified. Approved qualifications are: Certified Public Accountant (CPA), Chartered Accountant (CA) or corresponding titles, according to each country's legislation.
- ✓ There is a signed auditor's certificate in line with above specifications.
- ✓ The audit report complies with the above description.

Sida procurement regulation

The Swedish union should apply procurement in competition when planning to contract services valued at more than 8 price base amounts.¹ Written comparison should be made in the case of services costing more than SEK 50 000.

When purchasing goods, where cost exceeds two price base amounts, procurement in competition should be applied.

Foreign organisations should apply procurement in competition for purchases of services valued at more than SEK 150 000. Written comparisons should be made when the cost of services exceeds SEK 50 000.

¹ For updated price base amounts, see www.skatteverket.se