

Appendix 4A – Financial statement- and Audit instructions

# Purpose

This purpose of the financial statement- and audit instructions is to clarify the requirements for the Consultant’s financial statement and for the audits to be performed by the Consultant’s auditor.

# Financial statement

The financial statements shall include the following:

1. The fees, reimbursable expenses and Contract Price as specified in Appendix 3B.
2. The value of any amendments with specification of each amendment and reference to the corresponding addendum signed by both Parties.
3. The amount of any prepayment.
4. The fees, reimbursable expenses, total amount and any applicable VAT to be invoiced to the Client.
5. Any remaining budget available under Agreement.

The financial statement shall be audited by the Consultant's auditor.

The Client shall make no remuneration whatsoever for fees, reimbursable expenses and/or VAT in excess of Appendix 3B cf. Agreement Section 9.02.

## Fees

The financial statement shall be itemized in the same way as Appendix 3B Form 1, Breakdown of fees, and shall be presented as set out in Appendix 4B.

Fees shall be determined on the basis of time actually worked on execution of the Services by the staff as listed by position and name and at the rates specified in Appendix 3B.

Remuneration of subcontractors are of no concern to the Client and must be covered by the Consultants overhead, unless such cost is explicitly included in Appendix 3B. Hence, fees for hours worked by staff listed in Appendix 3B cannot be transferred to hours worked by subcontractors without the Clients prior written consent.

The hours actually worked shall be documented by time-lists recording hours worked on the assignment. The time-lists must as a minimum include the title of the assignment, and the name, position, number of hours worked and dates worked for each staff member.

Fees shall only be paid for time worked from the commencement date.

## Reimbursable expenses

Only expenses listed in Appendix 3B Form 2, Breakdown of reimbursable expenses, and actually and reasonable incurred shall be included in the financial statement. Furthermore, only expenses accrued from the commencement date shall be paid.

There shall be third party documentation for all expenses included in the financial statement, except for expenses covered by subsistence allowance and audit expenses (the auditor’s assurance of the audit expenses shall be deemed as sufficient documentation).

## VAT

Computed VAT can be included in the financial statement as confirmed by the auditor in accordance with the procedural rules listed below.

# Audit

## International auditing standards

The Consultant’s auditor must have the necessary authorisation to perform audits in accordance with International Standards on Auditing (ISAs).

The Consultant’s auditor shall perform audits in accordance with the International Standard on Auditing (ISA) 800, “*Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks”*.

In addition, the Consultant’s auditor shall perform audits in accordance with International Standards on Auditing (ISAs), International Standard on Quality Control (ISQC 1) and other related Standards issued by the International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB), in so far as they are relevant to the audit.

## Objective

The objective of the audit is to give assurances to the Client that the amounts included in the Consultant’s financial statement are eligible and adequately supported.

## Procedure

The procedures of the Consultant’s auditor shall include, but not necessarily be limited to, the following:

1. Plan and perform relevant audit procedures to form an opinion on whether the Consultant’s financial statement is prepared, in all material respects, in accordance with Article IX and Article X of the Agreement and the instructions stipulated in Appendix 3B and this Appendix 4A.
2. Plan and perform relevant audit procedures to form an opinion on whether amounts included in the financial statement have been spent in compliance with Article VI, Article IX and Article X of the Agreement.
3. Plan and perform relevant audit procedures to form an opinion on whether amounts included in the financial statement and invoices have been spent in an economic way.
4. Plan and perform relevant audit procedures to form an opinion on whether the Consultant’s fees are subject to VAT and if VAT on reimbursable expenses is refunded by local tax authorities. In case that VAT is included, verify that VAT has been properly computed and reflected in the financial statement and the Consultant’s invoices.
5. Perform test of expenditure to verify proper allocation to the appropriate budget lines against the approved budget for payment of fees and reimbursable expenses under the Agreement.
6. Test on a sample basis the existence adequate documentation supporting reported expenditure:
* **Fees:** Time-lists recording hours spent on the assignment (the time-lists must as a minimum include the title of the assignment, and the name, position, number of hours worked and dates worked for each staff member).
* **Reimbursable expenses:** Documentation from a third party (e.g. receipts, invoices, vouchers, and any other appropriate material supporting and giving evidence of the reimbursable expenses), except for expenses covered by subsistence allowance and audit expenses.

The sample size shall be based on the auditor's risk analysis.

Instances of missing or inadequate documentation shall be reported, including the amount in question.

Instances of missing or different fees and/or reimbursable expenses (compared to the approved budget for payment of fees and reimbursable expenses under the Agreement) shall be reported, including the amount in question.

## Reporting requirements

The audit shall be written in English and contain:

1. An assurance that the audit was performed in accordance with the International Standard on Auditing (ISA) 800, *“Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks”*, and that the auditor has the necessary authorisation to perform such audits.
2. An assurance that the audit was performed in accordance with all other relevant International Standards on Auditing (ISAs), International Standard on Quality Control (ISQC 1) and other related Standards issued by the International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB).
3. The auditor’s opinion on whether the Consultant’s financial statement and invoice are prepared, in all material respects, in accordance with Article VI, Article IX and Article X of the Agreement, the instructions stipulated in this Appendix 4A. ).
4. All instances of missing or inadequate documentation with regards to reported expenditure, including the amount in question (if any).
5. All instances of missing or different fees and/or reimbursable expenses (compared to the approved budget for payment of fees and reimbursable expenses under the Agreement), including the amount in question (if any).
6. An assurance that the amount for audit expenses stated in the Consultant’s financial statement and invoice will actually be incurred by the Consultant (even if it has not been invoiced yet)
7. The signature of the responsible auditor.