NORDIC-DUTCH GUIDELINES ON ACCOUNTING AND AUDITING

A. GENERAL

Trade union organisations whether national unions or national centres, should establish their own accounting system and financial regulations, which should be followed up by appropriate internal control and auditing. These regulations should be transparent and easily accessible to co-operating partners, as well as to members.

The aim of these guidelines is to assist the project partners to develop their internal control and accounting systems and to support the capacity building of the project partners in their financial administration.

The principles set below are the Nordic-Dutch trade union organisations minimum requirements for accounting and auditing projects.

B. ACCOUNTING PRINCIPLES

Accounting system:
Accounts should be prepared in accordance with these Nordic-Dutch Guidelines and the project contract between the parties.

To offer a reliable picture of the income, expenditure and financial situation of the project, the accounting system of the implementing organisation, as minimum comprehensive basis of accounting, may necessitate the following:

- Vouchers (original accounting documents),
- Journal (transactions entered in chronological order)
- General Ledger (summary book of accounting),
- Balance Sheet and Inventory, when applicable

Income:
The project income is the project funds received, union contributions, and other income, such as other donations for the project or interests accrued. The project income shall be reported using the actual amounts received.

Interests accrued from project income must be treated according to the national legislation of the country of the funding organisation and the regulations of the funding organisation. They are either regarded as project income or income of the funding organisation.

Expenditure:
The project expenditure shall be properly measured and reported. Expenditure is based on the budget approved by the funding organisation.

Expenditure not included in the approved project budget will not be accepted as project expenditure without prior written approval from the funding organisation. Auditing costs can be included in the project budget.

In principle, the budget is in one currency. Expenditure must therefore be reported in the same currency as the approved budget. If expenditure is defrayed in various currencies, translations are made to the budget currency, at the transfer or average transfer rate.

All fixed assets are to be expensed in the year of purchase.

Accruals:
In principle, expenses are accounted for on a cash basis, however project accounts could include accruals for goods or services received before the reporting period end or services directly linked to that accounting period (e.g.: audit fees).

Foreign Currency translation:
Each transfer received or sent should be converted on the date of the transaction.
The expenditure items can then be translated at the average or the actual exchange rates.

Handling of any exchange rate losses or gains shall be agreed upon between the parties.

Project financial reports
The financial reports should include a statement of income and expenditure compared to the project budget. Deviations from the approved budget should be explained. If the project covers more than one year, the possible closing balance of the previous year/project period must be carried forward as an opening balance of the following year/project period. Project financial reports should also include information on the transfers made from intermediary organisations to local organisations. Transfers must be reported in the currency of both the intermediary organisation and the local implementing organisation. All financial reports must be signed by the appropriate leaders of project implementation.

C. AUDITING

The aim of auditing is to examine the accounts of projects to obtain a reasonable assurance that the accounts are free from material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statements presentation. The funding organisation can request that the audit must include evaluating the internal controls system and pass on comments on any weaknesses the auditor has detected as part of the audit.

The funding organisation may communicate directly with the auditor.

Each project financial report must be audited separately by a Chartered Accountant. Before the start of a project the time frames that the audit will cover (calendar year based or project period based in case projects last more that one-year) shall be agreed upon between the parties.

The audit should be carried out in accordance with generally accepted auditing standards (ISA).

An audit should cover all income and all expenses of the project, whether at international, regional, national and/or local level. Each level of auditing should form the basis for the audit at the next level, starting at the local level.

Auditor's report on the financial statements

The report should include the following information:

1. Identification of the project
- Project title
- Project number/reference of funding organisation
- Implementing organisation
- Date of the project agreement
- Reported period
- Total expenditure reported

2. Statement of the nature and scope of audit

- Reference to the ISAs (International Standard on Auditing) and / or relevant national legislation and standards
- Identification of the financial statements audited, description of the work the auditor performed

3. Conclusion and statement of audit (opinion paragraph)
   The auditor's report should clearly state the auditor's opinion as that :
   - The expenses and income comply with the implementing organisation's bookkeeping
   - The financial statements are free of material misstatement
   - All expenditure are pertaining to the project and according to the approved project budget
   - The funds have been utilised in accordance with the project agreement / guidelines / budget / project plan
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4. Summary of the finances
   The auditor's report should preferably be accompanied by financial statements, which are identified by the auditor. At least the auditor's report should contain a summary of the projects' financial report, i.e.:

- total project income (including balance of previous project period)
- amount of expenditure
- closing balance

5. Date of report
6. Auditor's signature

ANNEX

AUDITOR´S REPORT ON THE FINANCIAL STATEMENTS

Standard example:

Report of the external auditors to

<GUF and/or implementing organisation's name>

We have audited the financial statements of the (name of project / code / day when Project Agreement was signed) of the (name of the implementing organisation) for the project year ended xxx. These financial statements are the responsibility of the Management. Our responsibility is to express an opinion on the financials statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. These Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial presentation.

We believe that our audit provides a reasonable basis for our opinion.

[If audit report is at regional level add: "The financial statements of the field office were audited by (name) and a copy of their audit report dated (date) is attached."]

In our opinion, the financial statements comply with the implementing organisation's bookkeeping. All expenditure is pertaining to the project and according to the approved project budget. The statement complies with the financial policies / guidelines / regulations of the (name of the Federation or/and Nordic-Dutch donors).

The audit confirm that the income of the project, including the opening balance, was xxxxxx, the expenditure xxxxxx and the balance at the end of the reporting period was xxxxxx

Chartered Accountant

Place, date

Enclosures :
Statement of income and expenditure
[Financial statements and audit report of field office]