



FINANCIAL GUIDELINES

#7 Audit requirements (October 2022)

1. INTRODUCTION

This document outlines the audit requirements for all AmplifyChange grantees.

Throughout this document, 'you/your' refers to grantees, and 'we/our' refers to AmplifyChange.

As part of our commitment to transparency and good financial governance, AmplifyChange requires grantees to undertake regular audits. There are 2 types of audits required under AmplifyChange: (i) audit of organisational annual financial statements, (ii) project audits. This guidance paper covers the requirements on grantees for each of these types.

AmplifyChange is aware that these two audit requirements imply additional costs, so please note that you will be allowed to include these costs in your AmplifyChange project budget.

2. AUDIT OF ORGANISATIONAL ANNUAL FINANCIAL STATEMENTS

AmplifyChange grantees are required to ensure that their **organisational annual financial statements are audited by an independent and appropriately qualified auditor.**

The audited financial statements **must clearly identify all project income and expenditure arising from the AmplifyChange grant**, with any unspent funds reflected in the balance sheet.

This segregation and identification of funding may be included in the notes to the financial statements.

The annual audited financial statements shall be signed by two senior representatives of the Grantee, including the chairperson of the Board, where one exists, and include an income and expenditure statement, a balance sheet, notes to the accounts and the auditor's report. The accounts should comply with the Grantee's national requirements and be audited in accordance with the International Accounting Standard (IAS).

The auditor shall submit a management letter, which shall contain other findings and recommendations identified during the audit process. Based on the auditor's findings, the grantee shall prepare a management response including actions points, timeline, and responsibilities.

The audit report as well as the management letter and the management response need to be submitted to AmplifyChange within six months of your financial year end. Delays in submitting these may impact on the ability of AmplifyChange to disburse further grant funds.

3. ANNUAL PROJECT AUDIT (applicable to Strengthening/Network and Partnership grant recipients only)

Strengthening, Network and Partnership Grants contracted after 01 July 2022 are required to commission **an independent and appropriately qualified auditor** to conduct an audit of their AmplifyChange **project**. Please note: Project Audits for Opportunity Grants will continue to be conducted by the AmplifyChange team.

This audit must be conducted annually (in line with project year) with the last project audit being conducted based on the **final financial reporting** (i.e., after the end of the project).

The project audit report as well as the management letter and management response will need to be submitted to AmplifyChange for review as soon as these documents have been provided by the external auditors. Delays in submitting these may impact on the ability of AmplifyChange to disburse further grant funds.

Important note : Some **additional mandatory procedures** (detailed in Annex 1 of this guidance) will need to be included in the terms of reference you will agree on with the selected external auditors.

Example : AmplifyChange is awarding your organisation a 3-year Network grant starting on 01/04/2023.

Your financial reporting will be scheduled as follow :

First reporting (6 months)	01/04/2023 – 30/09/2023
Second reporting (12 months)	01/10/2023 – 30/03/2024
Third reporting (18 months)	01/04/2024 – 30/09/2024
Fourth reporting (24 months)	01/10/2024 – 30/03/2025
Fifth reporting (30 months)	01/04/2025 – 30/09/2025
Sixth reporting (36 months)	01/10/2025 – 30/03/2026

According to the requirement explained above, the external auditor appointed will have to conduct **three project audits** during the life of the grant, the last one

being based on the final AmplifyChange financial report (i.e., the final project audit will have to take place after 30/03/2026)

4. SUMMARY OF THE REQUIREMENTS

	Grant Agreements signed before 01 July 2022		Grant Agreements signed from 01 July 2022 onwards	
	FRT Team	External auditors	FRT Team	External auditors
Opportunity grants	✓	n/a not involved		n/a not involved
Strengthening grants	✓	n/a not involved	n/a not involved	✓
Network grants	✓	n/a not involved	n/a not involved	✓
Strategic and Partnership grants	✓	n/a not involved	n/a not involved	✓

Annex 1 - Additional procedures according to agreed upon procedures under ISRS 4400

In order to comply with the project audit requirement, please ensure that the Terms of reference, agreed with the external auditors appointed, include the following additional procedures and requirements:

1. Observe whether the AmplifyChange financial report is structured in a way that allows for direct comparison with the latest approved budget
2. Observe and inspect whether the AmplifyChange financial report provides information regarding :
 - a) Financial outcome per budget line (both incomes and costs) for the reporting period and columns for cumulative information regarding earlier periods under current agreement.
 - b) A disclosure of the funds disbursed by AmplifyChange
 - c) and the methodology used to convert them in reporting currency (GBP).
 - d) Explanatory notes (such as, for instance, large variances between budget and actuals)
3. a) Inquire and inspect with what frequency salary costs during the reporting period are debited to the project/programme.

Choose a sample of three individuals for three different months and :

- b) Inquire and inspect whether there are supporting documentation for debited salary costs
 - c) Inquire and inspect whether actual time worked is documented and verified by a manager. Inquire and inspect within which frequency reconciliations between debited time and actual worked time is performed
 - d) Inspect whether the AmplifyChange grantee comply with applicable tax legislation with regard to personal income taxes (PAYE) and social security fees
4. a) Inspect and confirm that the financial information provided in the summary tab of the AmplifyChange financial reporting (funds received/expenses incurred) is in line with information provided in the accounting system/bank account
 - b) **Applicable the final year of the project.** Inspect and confirm the unspent fund balance (including exchange gains) in the AmplifyChange financial report and confirm the amount that shall be repaid to AmplifyChange Ltd

Follow up of funds that are channelled to Downstream Partners

Mandatory procedures that must be included if the AmplifyChange grantee forward funds to downstream partners :

- 1.1. Choose a sample of a minimum of 15% of the total of disbursed funds from each of the downstream partners and obtain evidence for each of the expenses selected
- 1.2. Inspect and confirm whether the grantee has signed MoUs with all the downstream partners
- 1.3. Inquire and inspect whether the AmplifyChange grantee has received financial reporting from all downstream partners:
 - a) Inquire and inspect whether the AmplifyChange grantee has verified if reports from downstream partners are in line with the requirements in the Agreement.
 - b) Inquire and inspect whether the AmplifyChange grantee has documented its assessment of the submitted financial reports
 - c) Inquire and inspect whether the AmplifyChange grantee has documented its follow-up actions based on the information provided in the financial reports of the selected downstream partners

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.

Reporting from the ISA requirement (applicable to the overall project audit)

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 financial report that has been the subject of this audit shall be attached to the audit report.

The reporting shall also include a Management Letter that discloses all audit findings, as well as weaknesses identified during the audit process. The auditor shall make recommendations to address the identified findings and weaknesses. The recommendation shall be presented in priority order with a risk classification.

Measures taken by the grantee to address weaknesses identified in previous audits shall also be presented in the Management Letter. If the previous audit did not have any findings or weaknesses to be followed up on, a clarification of this must be disclosed in the audit reporting.

If the audit assesses that no findings or weaknesses have been identified during the audit that would result in a Management Letter, an explication of this assessment must be disclosed in the audit reporting.

Reporting for the ISRS4400 assignment (applicable to the additional procedures mentioned above)

The additional assignment according to agreed-upon procedures ISRS 4400, shall be reported separately in an "Agreed- upon procedures report". Performed procedures should be described and the findings should be reported in accordance with the requirements in the International Standard on related services 4400