

## COMMUNICATION TO REGISTERED AUDITORS

Chairman

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Our reference  
LV

Your reference

Date  
22 January 2010

Dear colleagues,

**Re:        Statutory auditing in authorised development aid NGOs**

### **1. Introduction**

This communication of the Board of the Belgian Institute of Registered Auditors (IRE/IBR) clarifies the different aspects regarding the practice of statutory audits in authorised development aid NGOs (hereafter referred to as “NGOs”) in compliance with the new Belgian regulations.

### **2. Preliminary remark on the legal form of NGOs**

Article 2 (1) of the Royal Decree of 14 December 2005 regarding the authorisation of development aid NGOs stipulates that, in order to obtain authorisation, the NGO must be established either in compliance with the law of 27 June 1921 regarding the non-profit associations, the international non-profit associations and foundations, or in the form of a company with social motive.

At this moment, all authorised Belgian NGOs have opted for the legal form of an association. This Communication has therefore predominantly been drawn up in the light of audits of NGOs established as an association, which have been assigned to registered auditors.

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### **3. Reminder of the Belgian Regulations applicable to NGOs**

The most important Belgian Regulations applicable to NGOs are:

- the law of 27 June 1921 regarding non-profit associations, international non-profit associations and foundations;
- the Royal Decree of 19 December 2003 regarding the accounting obligations and publication of the financial statements of certain non-profit associations, international non-profit associations and foundations;
- the Royal Decree of 14 December 2005 regarding the authorisation of development aid NGOs;
- the Royal Decree of 24 September 2006 regarding subsidies for programmes and projects submitted by authorised development aid NGOs;
- the Ministerial Order of 30 May 2007 regarding the implementation of the Royal Decree of 24 September 2006 regarding subsidies for programmes and projects submitted by authorised development aid NGOs.

According to Article 2 (8) of the Royal Decree of 14 December 2005, an NGO can only obtain authorisation if it maintains "*transparent financial records, in compliance with the Royal Decree of 19 December 2003 regarding the accounting obligations and publication of the financial statements of certain non-profit associations, international non-profit associations and foundations*". As a result, the authorised NGOs – even the smaller ones – will never be able to have a simplified financial bookkeeping in the meaning of the Royal Decree of 26 June 2003.

With respect to the NGOs subsidised by the Directorate-General Development Cooperation (hereafter referred to as "DGDC"), the following administrative documents must also be taken into account<sup>1</sup>:

- For programmes subsidised by virtue of the Royal Decree of 24 September 2006: the DGDC Directive for accounting and financial aspects of *programmes*, included in the annexes of each ministerial order regarding the granting of financial aid to "long-range NGO programmes";

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<sup>1</sup> Available on the following websites:

[http://www.ibr-ire.be/ned/vorming\\_studiedagen\\_archief.aspx?item=6427](http://www.ibr-ire.be/ned/vorming_studiedagen_archief.aspx?item=6427)

<http://www.acodev.be/spip.php?article452>.

- for projects subsidised by virtue of the Royal Decree of 24 September 2006: DGDC Directive for accounting and financial aspects of *projects*, also included in the annexes of the relevant ministerial orders;
- for programmes and projects subsidised by DGDC: “the spending, justification and audit of subsidies Guide”, referred to in the aforementioned directives.

#### **4. The three types of reporting drafted by the NGO’s registered auditor**

The registered auditor can be asked to prepare different types of reports with regards NGOs.

If the registered auditor has been appointed as statutory auditor, he shall report on the financial statements and on compliance with the law and articles of association, as is mandatory in associations which have appointed a statutory auditor (see Art. 17, paragraphs 5 and 7 of the law of 27 June 1921). Examples of statutory audit reports in associations are available on the website of the information centre for registered auditors, [www.icci.be](http://www.icci.be).

If the registered auditor has been appointed as statutory auditor in an NGO receiving DGDC subsidies, he must submit a report on DGDC’s model 1 (more information, cfr below under 6.3), which implies that a registered auditor shall also perform a review of the other DGDC models (models 2 to 7c). Attached you find an example of a report of the registered auditor on model 1 of the DGDC. This example refers to the obligations of the registered auditor in this respect.

In case of an “NGO projects” with yearly “receipts” exceeding EUR 250,000, the NGO will have to have its financial statements and model 1 audited by a registered auditor. If this assignment is not executed within the context of the mandate of a statutory auditor, it will be the subject of a written assignment confirmation in which the subject, obligations of each party and remuneration are clearly stated, all off this in compliance with the recommendation "acceptance of an audit assignment by a registered auditor".

It should be emphasised that the assignments mentioned in the applicable regulations, including assignments with respect to model 1, must be statutory assignments to which the limitation of liability clause laid down in Article 17 of the law of 22 July 1953 applies.

## **5. NGOs which are under the obligation to appoint a statutory auditor**

NGOs which meet the below-mentioned criteria must appoint a statutory auditor. These criteria are not the same as the criteria applicable to companies (Art. 15 of the Belgian Company Code).

Article 3 of the Royal Decree of 14 December 2005 regarding the authorisation of development aid NGOs stipulates that organisations authorised as NGO may apply for an additional authorisation (called “programme” authorisation) with the ministry of development cooperation. This authorisation entitles them to submit long-range programmes for co-financing.

This authorisation is subject to certain strict conditions, in particular the obligation to appoint a statutory auditor amongst the members of the Belgian Institute of Registered Auditors (IRE/IBR)<sup>2</sup>, in compliance with the provisions of the law of 27 June 1921 and this “*irrespective of whether or not the conditions laid down in article 17 (5), first paragraph of this act have been met*”.

As a result, NGOs which meet the dimension criteria of Article 17 of the law of 27 June 1921, as well as NGOs which wish to obtain “programme” authorisation, have to appoint a statutory auditor.

Reminder: Articles 17 (5), 37 (5) and 53 (5) of the law of 27 June 1921 stipulate that associations must appoint one or more statutory auditor(s) if:

- a) the average number of employees, expressed in full-time equivalents, on a yearly basis is at least 100;
- b) at least two of the following three criteria are met:
  - an annual average of 50 full-time equivalents;
  - total receipts of EUR 6,250,000<sup>3</sup> (excluding extraordinary receipts and VAT);
  - a balance sheet total of EUR 3,125,000.

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<sup>2</sup> Article 4 (3) of the Royal Decree of 14 December 2005 regarding the authorisation of development aid NGOs;

<sup>3</sup> According to the Board of the Institute, the term “receipts” should be interpreted as “profits”.

It should be emphasised that for the calculation of the “receipts” and “balance sheet total” criteria, the foreign activities of the NGO must be taken into account (activities not exercised by a separate legal entity).

Also the impact of obtaining subsidies based on the calculation of these criteria must be taken into account. If an NGO employs more people as a result of this subsidy, it could well be that it exceeds the annual threshold and therefore becomes obliged to appoint a statutory auditor. Nevertheless, only employees which are subject to immediate declaration of employment (DIMONA) or which need to be registered in the employees register, therefore excluding temporary staff of foreign institutions, but including employees working abroad but subject to the Overseas Social Security Office (OSSO), must be taken into account.

Finally, it is worth mentioning that the law does not prohibit NGOs which do not meet the dimension criteria of Article 17 (5) of the law on non-profit associations and are not “programme” authorised, from appointing a statutory auditor. In such event, the stipulations regarding statutory auditors (Art. 17 (7), 37 (7) and 53 (6) of the law of 27 June 1921 on non-profit associations) apply equally.

The “projects” NGOs which – if their annual receipts exceed EUR 250,000 are obliged to appoint a registered auditor - would benefit from entrusting him also with the statutory auditor mandate since this mandate clarifies the subject of his assignment for the NGO as well as for the registered auditor and third parties (including the DGDC). The main differences between these two situations are the publication of the registered auditor’s report (and thus the possibility for the NGO to use it in other circumstances than the DGDC report), the exercise of a specific compliance audit with the law and the articles of association, the transactions which need to be included in the financial statements and the term of the mandate. The difference in fees to be submitted for assessment to the NGO should therefore not be too significant.

## **6. The NGO's statutory auditor's assignment**

### *6.1. Audit of the financial statements - general*

The mandate of a statutory auditor in NGOs is exercised in the same manner as in any non-profit association (cf Communication to registered auditors of 20 February 2009 regarding the "reminder of some aspects of the assignment of the statutory auditor in associations or foundations" available on the IRE/IBR website<sup>4</sup>).

The law of 27 June 1921 applies to the audit of the financial statements as well as the statutory auditor's report to the General Meeting.

The law of 27 June 1921 exceptionally refers to a number of clauses in the Belgian Company Code with respect to the statutory auditor's assignment regarding the financial statements of companies (Art. 17 (7), 37 (7) and 53 (6)). Consequently, the auditing standards also apply to the auditing assignment on the financial statements, as executed by the statutory auditor in NGOs.

The financial statements of NGOs contain the profit and loss account, the balance sheet and the annexes. The statutory auditor's report is added to this financial statements for the purpose of publication as well as for reporting to the DGDC.

### *6.2. Audit of the justification of the subsidies - general*

In the context of the audit of the financial statements, the statutory auditor will pay attention to the right of the NGO to receive subsidies as registered in the accounts, using the usual methods (random checks, local audits, etc.). Indeed, without prejudice to the materiality principle, the statutory auditor, when certifying the true and fair view of the financial statements, shall inquire into the justification of the received subsidies (irrespective of their origin: Belgian, European, etc.). With respect to the subsidies granted by the DGDC, this will be done mainly with respect to the rules and regulations *sensu lato* as mentioned under 3 above, including the DGDC "Directive" and "Guide" (which contain a list of expenses which cannot be subsidised).

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<sup>4</sup> [http://www.ibr-ire.be/ned/nieuws\\_korte.aspx](http://www.ibr-ire.be/ned/nieuws_korte.aspx).

However, except when this is a special assignment agreed upon with the NGO or demanded by the financer, this is not a *systematic* control of the justification, and, in particular of eligibility for aid of all elements submitted for subsidising. It is recommended to repeat this in the second part of the report with respect to the additional mentions and information, for instance stating the following: “Our assignment does not constitute a *systematic* inquiry into the spending and justification of the subsidies received by your association with respect to the rules of eligibility for aid as well as other justification criteria.”

If during the audit of the financial statements, not all of the justification documents (Belgian, European or other) are available, it will be difficult for the registered auditor to issue an unqualified opinion. Colleagues are therefore given the following recommendations:

- if the procedures regarding justification of subsidies cannot be finalised with respect to the content, which might influence the true and fair view of the financial statements, in principle, the issued report should include a qualified opinion;
- If the procedures regarding justification of subsidies with respect to the content have been finalised but more formal procedures according to model 1 have not been finalised without this having an impact on the true and fair view of the financial statements: the statutory auditor shall mention this in the second part of his report under “additional information”. He shall add the following statement to the declaration proposed in the above paragraph: “at the moment of our audit, the justification tables (“models”) required by the DGDC had for that matter not yet been finalised”;
- if all the documents for the justification of the subsidies are finalised: the statutory auditor will be able to issue an unqualified opinion and therefore only the information proposed in the previous paragraph needs to be mentioned in the second part of this report.

In order to enhance the efficiency and reduce the cost of the audits, the NGO should be encouraged to perform its activities in such a way that an unqualified opinion can be issued (third option). Through this practice, a repeated reference to the same issues can be avoided.

It should be noted that the financial statements on the one hand and the justification of the subsidies on the other hand could refer to different periods. This will often be the case for the DGDC subsidised “projects” and sometimes also the “programmes”. On this assumption, the review of the aforementioned documents by the auditor should usually refer to the documents related to periods which have ended at the same or prior to the closing of the financial statements. This should be mentioned in the second part of the report, for instance in the following wording: “At the moment of our audit, some reports which serve as justification documents for subsidies were not available because they refer to periods which had not yet ended at the moment the financial statements were closed.” If this entails a significant uncertainty with respect to the NGO’s capacity to justify the subsidies recorded as profit later on, an unqualified opinion without explanatory paragraph cannot be issued (cf paragraph 3.6 of the general auditing standards). Before reaching this conclusion, the auditor will take into account the NGO’s previous capacity to justify its subsidies, the efficiency of its internal audit with respect to the spending of the subsidies concerned, the available justification documents, etc.

The subsidies already granted, in particular those of three-year-programmes, for activities which will be executed during the following financial years, should be recorded as deferred income (as and when the occasion arises, in more than one year), in application of the appropriate regularisations (profits carried forward).

### 6.3. *The report on model 1 of the DGDC*

The NGO’s statutory auditor’s assignment is not limited to the issuance of an opinion on the financial statements. He must also sign model 1 of the NGO’s financial report to the DGDC and issue an opinion on it, which implies that the registered auditor must perform a review on the other models of the DGDC as well (models 2 to 7c).

Indeed, in compliance with the Royal Decree of 24 September 2006 regarding subsidies for programmes and projects submitted by development aid NGOs, the “NGO programmes” must submit a financial report which meets specific criteria.



This financial report of the NGO includes a table called “model 1” which splits up the income and the expenses of the NGO according to different criteria and which justifies the composition of the own contribution<sup>5</sup>.

An example of the report on model 1 is attached to this Communication. This example mentions the obligations of the registered auditor in this respect.

In accordance with agreements between the Institute, the DGDC and the representative federations of NGOs, this report must mention information on aspects of subsidies granted by the Belgian State which have been audited by the statutory auditor. In his report on model 1, the registered auditor must mention in particular which aspects he has paid attention to in the context of the review and justification of the DGDC subsidies and the volume of procedures he has performed in this respect. At the same time he should perform a review of the aspects which do not result directly from the accounts, such as valuations.

Moreover, the DGDC may ask the NGO for additional information which needs to be certified by the registered auditor<sup>6</sup> in compliance with Article 79 (1), under a) of the law of 22 July 1953 regarding the establishment of the Institute of Registered Auditors and the organisation of the public supervision of the profession of registered auditors.

The aforementioned paragraphs regarding the report on model 1 are applicable *mutatis mutandis* to “NGO projects” with annual receipts in excess of EUR 250,000.

#### 6.4. Analytical accounts

In compliance with Article 4 (2) of the Royal Decree of 14 December 2005, the “NGO programmes” must keep analytical accounts which meet the transparency requirements. Point 5.1.1. of the “Directive” explains that, with respect to the subsidised programme, these analytical accounts must distinguish between the expenses and income not only based on type but also based on destination and this must be done by specific goal, if possible by result<sup>7</sup>, by country and by partner.

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<sup>5</sup> The own contribution will sometimes be justified by a positive balance appropriation, or be related to different periods compared to the financial statements of the NGO.

<sup>6</sup> Paragraph 5.1.2. of the “Directive”.

<sup>7</sup> The parentheses in the directives of the DGDC in this respect, completed by the description of model 7, may be assessed as the fact that the splitting up per result does not necessarily have to be the result of an analytical accounting system.

The actual income realised, together with the actual expenses incurred, linked to the relevant section, must be included in the financial report to the DGDC.

The registered auditor must ensure that the audited NGO keeps regular and compliant financial records, otherwise its continuity might be jeopardised. If the NGO does not keep adequate financial records, it risks withdrawal of its "programme" authorisation and could be asked to pay back the subsidies granted but not justified.

The Directive for the "NGO projects" contains a similar but less stringent obligation under paragraph 5.1.

#### *6.5. Justification documents*

It should be made clear that the statutory auditor's mandate includes a full audit of the totality of activities of the NGO, including its foreign representations, but not the activities of its partners. This does, however, not prevent the statutory auditor to express a qualified opinion if he does not obtain reasonable certainty that the subsidies spent by the partners can be justified adequately.

The statutory auditor must pay special attention to the quality of the justification documents with respect to the subsidies.

The NGOs subsidised by the DGDC must keep their justification documents in compliance with the terms laid down in 5.1.4. of the "Directive".

The justification documents of the expenses included in the financial records of the NGO must be at the disposal of the auditing bodies at the NGO's registered office in Belgium. Justification documents means original evidential documents as explained in advice 174/1 of the Belgian Commission for Accounting Standards (Bull. CBN, n° 38, February 1997).

In compliance with the DGDC's guidelines, with respect to the expenses incurred by a partner<sup>8</sup> or a representative<sup>9</sup> of the NGO, the NGO must:

- either keep the necessary accounts and relevant justification documents at the disposal of the auditing body, at the registered office of the NGO in Belgium. Justification documents are originals or *copies* of evidence;
- or hold original and reliable audit reports related to the accounts of the partner or representation.

The original justification documents must remain available for a period of seven years at the registered office of the NGO's partner or representation<sup>10</sup>. The registered auditor should not hesitate to spot check the identity of the copies against the originals.

Furthermore, the NGO draws up a list of the justification documents per partner or representation and per section.

The local financial records must comply with the legal accounting requirements of the relevant country.

The Directive for the "NGO projects" contains a similar but less stringent obligation under paragraph 5.4.

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<sup>8</sup> Partner means "a representative association of civil society or an institution of public benefit in the South, linked to an NGO by agreement" (Art. 1 (9) of the Royal Decree of 24 September 2006).

<sup>9</sup> Representation of the NGO in the South means: "someone who is expressly appointed by the NGO to represent it in a country in the South" (paragraph 5.1.3. of the "Directive"). The NGO must inform the DGDC of its representations in the South. The Board of the Institute invites its members to interpret the system of representation as being identical to the system of a mandate holder whose actions by virtue of a granted power of attorney have a direct impact on the assets of the person who granted the power (the NGO).

<sup>10</sup> In accordance with Articles 6 and 8 of the law on accounting of 17 July 1975 as amended by the law of 8 June 2008 regarding various stipulations, the term of 10 years laid down in the Directive, must be deemed to have been replaced by a term of seven years.

6.6. *Foreign audit reports and other methods for the audit of foreign expenses*

A. General

All transactions, even those performed abroad, must be included in the financial statements of the NGO, unless they have been performed by a separate foreign legal entity. This separate entity may be a *de facto* partnership as long as it is proven to be separate from the NGO (by of its composition, bodies, liabilities, etc.) The burden of proof that it concerns a separate foreign entity lies with the NGO.

The recording of the totality of the transactions performed abroad by the NGO does not prevent this recording to be done in subsidiary journals, or the recording of justification documents representing a summary of similar transactions. The NGO should bear in mind that Article 4 of the law of 17 July 1975 regarding the financial records of companies has become applicable to NGOs by virtue of Article 1 of the Royal Decree of 19 December 2003 and Article 2 (8) of the Royal Decree of 14 December 2005. Therefore, the subsidiary journals must be centralised at least once a month at a level of detail which corresponds to the summary sections of the financial statements. In the second part of his report, the statutory auditor shall only mention the relevant observations if noncompliance with these requirements cannot be regarded as being minor formal aspects.

If the transactions performed abroad are the subject of reports of a local auditor, the registered auditor shall assess the competence and independence of the foreign auditor in compliance with paragraph 2.3 of the standards of the Institute of Registered Auditors regarding certification of the consolidated financial statements<sup>11</sup>.

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<sup>11</sup> “*The statutory auditor shall, for the audit of the Belgian subsidiaries in such case, depend on the procedures of another registered auditor, which he will review if and when deemed appropriate. With respect to the details related to the foreign companies, he shall, as the case may be, depend on the procedures of a competent external auditor after having assessed his competence and independence and, where necessary, the quality of his performed procedures*”, IBR, *Vademecum*, Part II, 2007 Wetgeving, normen en aanbevelingen, p. 406.

When the ISAs become applicable in Belgium, the auditor will be required «to identify and assess the risks of material misstatement through obtaining an understanding of the entity and its environment » according to paragraph 17 of ISA 600 on special considerations regarding audits of group financial statements<sup>12</sup>.

It should be emphasised that the use of a foreign auditor can only be a means to audit the spending abroad. The Belgian statutory auditor may, of course, perform the procedures abroad himself as long as this is compliant with the rules and regulation on prior determination of his fees.

B. The audit reports of partners or representations of the NGO abroad

In compliance with paragraph 5.1.5 of the “Directive”, the audit report of NGOs subsidised by the DGDC regarding the financial statements of a partner or representation must contain the following elements:

- the balance sheet and profit and loss account of the entire organisation for the relevant period;
- an overview of the expenses and income;
- the relationship between funds transferred by the NGO and profits recorded by the partner;
- the comparison between the budget and the actual expenses per section;
- a comment on the applied accounting system, the internal auditing systems, the extent to which the expenses are real, acceptable and in conformity with the terms of the cooperation agreement, the quality and the location of the original justification documents.

Moreover, each partner shall indicate which follow-up has been given to the findings of previous audits.

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<sup>12</sup> ISA 600 is available on the website of the IRE/IBR:  
[http://www.ibr-ire.be/ned/documentatie\\_vertalingen\\_ISA.aspx](http://www.ibr-ire.be/ned/documentatie_vertalingen_ISA.aspx).

The audit reports of the partners and representations are important because, if they are original and reliable, they can replace the keeping of the justification documents by the NGO in Belgium (paragraph 5.1.4. of the “Directive”) and may be considered to be audit information to be taken into account by the statutory auditor. The statutory auditor will pay special attention to the quality of the audit reports, if any, of the NGO with respect to its partners and representations in the south. In such case, he will advise the NGO in its choice and determination of the assignment of local auditors. In view of a well-defined and reliable local audit, compliance with the DGDC Directives and Guide must be part of the local auditors’ assignment.

In the event of an inadequate local audit, and as far as the activities concerned are significant, the statutory auditor shall:

- with respect to the foreign activities of the NGO and its representations, perform a complete audit, the cost of which will need to be taken into account at the moment of determination of his fee;
- with respect to the procedures of the partners, investigate together with the NGO, into the possibilities of performing certain activities itself with respect to these partners, which may be regarded as an extraordinary assignment for which a specific budget is provided.

With respect to the audit of the activities of the NGO and its foreign representations, it must be noted that random checks may be executed (e.g. selection of certain countries) as far as the internal auditing system of the NGO and its representations shows a certain homogeneity.

If the partners, however, are heterogenous entities, it would be difficult to limit the audit activities to just one partner if no foreign audit reports are available. The activities of all partners representing a significant proportion of the NGO's financial statements will have to be audited by the statutory auditor, to the extent necessary for the certification of the NGO's financial statements. The statutory auditor shall assess the nature and the volume of the evidence to be collected. In some cases, this could be conclusions on the spot, made by the statutory auditor or a foreign expert.

In all cases in which the statutory auditor is unable obtain a reasonable degree of certainty regarding the impact of the foreign activities of the NGO, of its representations and/or partners on the financial statements of the NGO, the statutory auditor shall have to adjust his certification of the financial statements. If the auditing methods applied with respect to the relevant expenses did not enable him to obtain a reasonable degree of certainty on the expenses which constitute a significant part of the financial statements, he shall issue a disclaimer rather than a qualified opinion (see paragraphs 3.7.1., 3.7.2., 3.7.4. and 3.9.1. of the General Auditing Standards).

### **7. Withdrawal of the 1993 Memorandum**

This Communication replaces the Memorandum regarding the registered accountant's assignment in the framework of the royal decrees regarding the authorisation and financing of non-governmental organisations and federations with respect to development cooperation (cf Annex 9 to the annual report 1993 of the Institute of Registered Auditors). The general qualified opinion for foreign expenses as presented by this Memorandum is no longer valid in the context of the present regulations, especially where the registered auditor performs his assignment in the capacity of statutory auditor.

Pierre P. BERGER  
Chairman



Annex: 1

**ANNEX**  
**EXAMPLE<sup>13</sup> OF A STATUTORY AUDITOR'S REPORT ON MODEL**  
**1 OF THE FINANCIAL REPORT OF THE DGDC**

This report has preparation in the context of the cooperation assignment of the statutory auditor of the NGO with the supervision by the Directorate-General for Development Cooperation (hereafter referred to as "DGDC") and may not be used for any other purpose. The report will be handed over to the NGO's directors with the request to submit it, together with model 1, to the DGDC. This report, as a whole or a part of it, may not be given to third parties without our express prior consent.

In compliance with the Directive for accounting and financial aspects of programmes (annex to the ministerial order of ...) we report to you on our procedures performed on the financial statements submitted to us (hereafter referred to as "the DGDC models").

This report must be read together with our report of ..... on the financial statements closed on .....

**1. RESPONSIBILITIES OF THE MANAGERS OF THE NGO**

The preparation of the DGDC models in compliance with the applicable directives of the DGDC as well as the organisation of a system of internal audit which provides a reasonable degree of certainty on the reliability of the financial reporting process is the responsibility of the NGO's management.

This responsibility includes:

- the organisation, implementation and maintenance of an internal audit with respect to the preparation and reliable presentation of models which do not contain material misstatements as a result of fraud or errors;
- the choice and application of appropriate accounting and valuation rules;
- accounting estimates and analytical allocations which are reasonable in the given circumstances.

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<sup>13</sup> This is an example of a case in which the programmes of a "programme" NGO equal the financial year. This example must be adjusted to all other situations ("project" NGO, financial periods which do not correspond,...).



## **2. RESPONSIBILITIES OF THE STATUTORY AUDITOR**

It is our responsibility to confirm to the DGDC that:

- (i) The accounting details included in model 1 in all materially significant respects are in compliance with the accounts and inventories related to completeness (i.e. no elements have been excluded from the accounts and inventory details on the basis of which the financial statements have been drawn up) and reliability (i.e. the accounts and inventory details on the basis of which the financial statements have been prepared in a reliable manner);
- (ii) We have no knowledge of facts which could result in models 2 to 7c not being prepared in compliance with the applicable DGDC directives.

With respect to point (i) in general, we have reviewed the financial reporting procedure for the preparation of the models on [31 December ...]. This review does not aim at expressing an opinion on the efficiency of the relevant reporting procedure but, on the one hand, at confirming randomly the amounts included in the models in relation to the underlying records and inventories. On the other hand, it aimed at founding the confirmation that the accounting details included in the financial statements of [31 December...], are compliant with the accounts and inventories on the same date in all materially significant respects.

For model 1 in particular, our procedures, according to our assignment, were aimed at certifying that this statement is identical with the details of the profit and loss account audited by us. The profit and loss account is part of the financial statements drawn up by the association which we have audited completely in our capacity of statutory auditor and on which we have issued a separate report. We have initialled Model 1 for identification.

With respect to paragraph (ii), we have performed a review in the meaning of paragraphs 1.4. and 1.4.3. of the general auditing standards; this audit is less detailed than a full audit. During this review, special attention was given to the models with enable the DGDC to follow the actual spending by the association of the subsidies granted by the DGDC.

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As a result of the audit of the financial statements, we obtained knowledge of;

- the coherence of the details produced;
- the internal audit system within the NGO for the justification of the details, reports and documents which need to be communicated to the DGDC.
- the measures taken by the NGO to meet the DGDC's requirements regarding expenses which are not eligible for aid.

In the framework of our capacity as statutory auditors, we have performed a full audit on all the activities from the NGO, including its representation abroad, but excluding the activities of its partners. With respect to the latter [we have taken into consideration, the local audit reports produced by these partners] [we have randomly reviewed copies/originals of the evidence] [we have not been able to audit sufficiently] [and consequently, we have adjusted our certification of the financial statements of the association].

In the framework of our audit procedures, we have audited ..... in particular [clarify which elements of the spending of DGDC subsidies have been given special attention by the statutory auditor, for instance: "we have, more specifically, audited the expenses in a particular country, during which audit, as well as with respect to the selection criteria, we have reviewed the evidence of a random check of the expenses to an amount of EUR ...."].

Our assignment does, however, not consist of systematic inquiries into the spending and justification of subsidies, neither with respect to the acceptability, nor with respect to the justification criteria.

As far as our audit procedure could show [could have shown] significant misstatements which were not appropriately corrected by the NGO, these would have resulted in [have resulted in] a qualified opinion or additional comments in our report on the financial statements.

### 3. CONFIRMATION OF THE DGDC MODELS

As a result of the procedures performed by us, we can confirm that:

- The accounting details included in model 1 on [31 December ...] correspond in all materially significant respects with the NGO's profit and loss account of the same date;
- we have no knowledge of facts which would lead to the conclusion that the models other than model 1 on [31 December ...] were not drawn up in compliance with the applicable DGDC Directives, including the Guide for spending, justification and audit of subsidies;
- the financial statements on [31 December ...] have been subjected to a complete audit. In this respect, we refer to our report on the financial statements addressed to the general meeting of member of the association.