



## **Audit rules**

**V1.0**

## Audit rules

The sub-accounts of each Project Participant must be audited separately.

The requirements for audit of Project Participants vary, depending on whether the Project Participant receives investments from Trace and the size of any such investments, as well as the organisation of the Project Participant. The rules are described below.

### **Project Participants not receiving investments from Trace**

The accounts of Project Participants not receiving investments from Trace need not be audited, but merely approved by a duly authorized employee of that Project Participant.

### **Project Participants which are Danish government institutions and Danish state financed, independent institutions**

For Project Participants which are Danish government institutions and Danish state financed independent institutions, where the responsibility for the audit rests with the Office of the Auditor General of Denmark (Rigsrevisionen) pursuant to the Act on Auditing of State Accounts, audit must be performed by the institution's financial controller and endorsed by a duly authorised employee.

This also applies in instances where the audit pursuant to a section 9 agreement (cf. the Act on Auditing of State Accounts) on internal auditing is performed by an approved accountant. Trace and IFD reserves the right to require that a special statement and an audit check list be completed in connection with the audit. Templates for the statement and audit check list can be found in Appendices 1 and 2 of this document.

### **All other Project Participants, i.e. local and regional government and private-sector institutions and enterprises, as well as all foreign entities**

- Accounts for periods in which the total disbursements from Trace amount to DKK 500,000 or less need not be audited. Trace and IFD reserves the right to require that the accounts for a given period be subject to audit.
- Accounts for periods in which the total disbursements from Trace amount to more than DKK 500,000 must be audited by an approved accountant. The audit must be performed in accordance with international audit standards and other requirements under Danish audit legislation and generally accepted auditing standards.
- At the end of the project, an approved auditor must audit accounts for the entire project period. The audit must be performed in accordance with international audit standards and other requirements under Danish audit legislation and generally accepted auditing standards.

### **Performance of audits**

Auditing of individual sub-accounts must be performed in accordance with generally accepted auditing standards, as defined in section 3 of the Act on Auditing of State Accounts etc. (Consolidated Act No. 101 of 19 January 2012) and more specifically section 2 and section 7, as well as Rigsrevisionen's "God offentlig revisionskik – normen for offentlig revision" (in Danish only) from January 2013.

The purpose of the audit is to ascertain that the project accounts are true and fair and that the allocations and decisions comprised by the financial reporting are consistent with grants awarded, statutes and other regulations and with agreements made and customary practice. Furthermore, assessment must be made of whether due financial consideration has been given to administration of the funds comprised by the accounts.

It is not a requirement that efficiency and productivity be reviewed, as this is done by Trace in connection with its review of the annual reporting.

The auditor must plan the audit on the basis of an assessment of materiality and risk. The scope of the audit depends on the organisation's administrative structure and procedures, including internal control and other conditions of significance vis-à-vis the financial reporting.

Institutions / organizations that are not subject to the Office of the Auditor General of Denmark (Rigsrevisionen), the approved auditor must verify in particular:

- that the accounts for the overall project costs are true and fair, i.e. without significant errors or omissions.
- that the calculations of Trace investments are correct, including whether the maximum investment rate requirements have been observed.
- that the terms and conditions for the subsidy have been met, including the terms set out in the Investment Agreement.
- that the investment has been used for its intended purpose.
- that costs related to time consumed have been calculated on the basis of timesheets.
- that the accounts relate to the correct period, and that no project costs have been defrayed before the start of the Investment Period or after its expiry. Particular attention should be paid to the project accounting period for newly established projects, where, in most cases, the start date is not 1 January, and final accounts, where, in most cases, the closing date is not 31 December.

While institutions that are subject audit through the Office of the Auditor General of Denmark (Rigsrevisionen), it is the task / responsibility of the financial controller.

The audit shall be performed by spot-checks.

The Project Participant must provide the auditor with such information as is deemed significant to the audit of the project accounts and to the auditor's opinion of the administration of the funds, including goals and results achieved. The Project Participant must give the auditor access to perform such enquiries as the auditor deems necessary and must ensure that the auditor is provided with the information and assistance which the auditor deems necessary for performance of his/her professional duty.

If the auditor becomes aware of any punishable offences or non-observance of regulations of significance in connection with the management of the funds, the auditor must immediately inform the Project Leader and the Administrator and ensure that Trace is informed within three weeks. It is the auditor's duty to inform Trace directly.

The same applies if the auditor becomes aware, during the audit or in some other way that the Project's completion is uncertain on financial or other reasons.

The audited sub-accounts must have an auditor's report attached in accordance with ISA statements for special-purpose audit tasks.

Duplicates of the signed auditor's report must be sent by the Project Participant to the Project Leader and the Administrator together with the audited sub-accounts and appendices.

**Appendix 1 – Investment recipient is a state institution or state-funded self-governing institution**

**FINANCIAL CONTROLLER'S DECLARATION UPON RECEIPT OF INVESTMENT FROM TRACE**

Case no.: \_\_\_\_\_

Title of project: \_\_\_\_\_

Investment recipient: \_\_\_\_\_

Start date of accounting period: \_\_\_\_\_

End date of accounting period: \_\_\_\_\_

Actual expenditure: \_\_\_\_\_

Investment from TRACE/Innovationsfonden: \_\_\_\_\_

(investment received – transferred from the Administrator, not the budgeted investment sum)

It is hereby confirmed that the financial report is in agreement with the conditions described in General Terms and Conditions for Innominations and the Project Agreement between the project participants and TRACE.

Any qualifications on part of the financial controller:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name of financial controller

\_\_\_\_\_  
Title of financial controller

\_\_\_\_\_  
financial controller institution address

\_\_\_\_\_  
financial controller signature

## Appendix 2 – Checklist for state institutions or state-funded self-governing institutions

### Financial controller’s checklist – for TRACE

The checklist is attached to the financial controller’s declaration

TRACE / Innovation Fund Denmark case no.	
Title of project	
Name of institution	
CVR no.	
Financial year	

### TRACE introduction to the financial controller’s checklist

The checklist must be completed by the public institution’s financial controller.

The checklist must be completed in connection with the audit of the annual accounts and is a supplement to the financial controller’s declaration. Auditor’s records are provided in connection with the declaration.

The checklist serves to answer questions of a more formal nature.

The financial controller’s answers to the checklist questions cannot replace qualifications or supplementary information in the declaration.

### Information about the financial controller’s endorsement of the accounts

(Tick the appropriate box)

- Endorsement without qualifications or supplementary information
- Endorsement with qualifications
- Endorsement with supplementary information

### Guide to completing the checklist

Tick the ‘Yes’ box in the column ‘Result of the auditing procedure’ if the audit has been completed and the financial controller is able to answer the given question in the affirmative. If the financial controller has important/critical remarks to the given question, the financial controller should tick the appropriate column, and the issue must be mentioned in the declaration and/or the auditor’s records. Insofar as the financial controller ticks the ‘Yes’ box in the result column, there is often no reason to tick the column ‘Important/critical remarks’.

The ‘No’ box in the result column should be ticked when the audit has been completed and the auditor is able to answer the question in the affirmative.

An affirmative answer says nothing about the basis or certainty of the answer and does not necessarily mean that the issue concerned is considered completed. The financial controller finds that the identified issue must be considered justifiable under the given circumstances. A negative answer is expected to occasion a mention of the issue in the financial controller's declaration and/or in the auditor's records.

**Financial controller's checklist**

<b>Financial controller's checklist</b>		<b>Result of the auditing procedure</b>	
		YES	NO
<b>1</b>	Have the annual accounts been prepared in accordance with TRACE / Innovation Fund Denmark's general terms and conditions?		
<b>2</b>	Are the annual accounts without serious deficiencies?		
<b>3</b>	Has the financial controller followed up on any critical remarks in last year's declaration and/or auditor's records?		
<b>4</b>	Has the financial controller received the information and support the financial controller considered necessary?		
<b>5</b>	Have the hours been recorded on an ongoing basis?		
<b>6</b>	Has the institution created a separate account/activity for administering the grant?		
<b>7</b>	Is the financial period in accordance with the Project Agreement?		