

## ANNEX 1: Description of Services for Part A.

### **Background**

**Global Water Partnership (GWP)** is a non-profit global action network with a focus on building water security at country, regional and global levels. GWP was established in 1996 as a multi-stakeholder partnership of government agencies, public institutions, private companies, professional organizations and multilateral development agencies. It works to facilitate dialogues and to support countries which are implementing processes for the sustainable management of their water resources. GWP is funded by a range of Financing Partners. Currently, the Network comprises 13 RWPs and 85 CWPs, and 3.000 Partners located in 178 countries. **The GWP Organisation (GWPO)**, established as an intergovernmental agency in Sweden, is managed by an Executive Secretary who is answerable to the Steering Committee (SC). The GWPO Secretariat acts as the 'network hub' for GWP. The Secretariat manages GWP's finances and reports on funding received at the global level. It also helps with the exchange of knowledge, resources, and ensures communication and coherence across the Network. Each **RWP, and the Country Water Partnerships, Area Water Partnerships, City Water Partnerships and River Basin Partnerships** that may be established in the regions, has its own operational strategy, work programme and administrative structure. The RWPs are attached to host institutions that administer funds and employ staff on their behalf.

**GWP Mediterranean is a Regional Water Partnership** ([www.gwpmed.org](http://www.gwpmed.org)) (RWP) of GWP partners operating in Mediterranean. The RWP is an independent organisation, but it does not have legal personality. The Steering Committee/Council of the RWP is the decision-making body of the regional partnership. The RWP (**GWP-Med**) is hosted by the **Mediterranean Information Office for Environment, Culture and Sustainable Development, MIO-ECSDE** ([www.mio-ecsde.org](http://www.mio-ecsde.org)). MIO-ECSDE is civil non-profit society registered in Greece and operates as a federation of Mediterranean non-governmental organisations (NGOs) active in environment and development issues. It functions as a technical and political platform and umbrella for NGO intervention in the Mediterranean scene. In cooperation with governments, international organisations and other socio-economic partners, MIO-ECSDE plays an active role in the protection of the environment and the sustainable development of the Mediterranean region.

### **Terms of the Engagement and scope**

The Audit Firm will be engaged to audit GWP-Med's Financial Statements in accordance with International Standards on Auditing (ISA). The Audit Firm is requested to audit the report/s in accordance with ISA 600.

The main objective of the audit is to provide management of GWP-Med/MIO-ESDE with the assurance that reported figures, funds transferred to partners and locally raised funds, are accurate and provide a true and fair view of GWP-Med's results and financial position for the year ending 31 December 2020, 31 December 2021 and 31 December 2022.

**Expected Annual Turnover for the year ending 31 December 2020:**

**Euro 3,5 to 4,2 mil**

**Expected Annual Turnover for the years ending 31/12/2021 and 31/12/2022:**

**Euro 4 mil**

### **Key areas of audit focus**

The following provides a summary of key areas of audit focus that may be encountered during the audit. You are required to consider these issues to the extent applicable.

1. **Fraud**
2. **Revenue recognition of Locally Raised Funds:** The locally raised funds should always be audited, either by the donor, as a part of the regular audit procedures or as a separate audit.
3. **Accrued based accounting :** Confirm that the principle of accrued based accounting has been complied with. Confirm that accruals have been posted for staff entitlements to be carried over to the following year (e.g. accrued annual leave, gratuities, end of contract entitlements) and audit fee for the audited financial year, etc.

### Additional key areas and specified procedures

The considerations below are of special interest to GWPO management and are to serve as additional key areas of audit focus.

1. **Financial statement process**
  - That the general ledger and financial reports are reconciled.
  - The annual financial reports submitted by the Host Institution/GWP-Med to GWPO are the basis for the audit. No adjustments shall be made to the financial reports of 2020 as a result of the audit. Adjustments may instead be made to the financial reports the following financial year (2021).
2. **Follow-up of last year's Management Letter**
  - Comments on whether, and in what manner, last year's Management Letter has been followed up and if/in what manner the identified weaknesses have been resolved.
3. **Annual Anti-Fraud/corruption Declarations**
  - Comments on whether all employees of the GWP-Med and the Steering Committee members have signed the Annual Declaration, as verified by the register kept at the GWP-Med files.

### Risk assessment

A risk analysis has been performed at GWP level and you are required to take the following aspects into consideration when carrying out the audit. For funds exceeding EUR 10,000 which have been transferred from the GWP-Med to a partner organisation and locally raised funds, the audit is to ensure that the financial reporting from Partner is in accordance with this risk assessment. However, the local donor requirements prevail.

#### Inaccurate use of funds/Frauds

- Identify and respond to the risk of material misstatement due to fraud.
- Verify to ensure that the procurement of goods and services is handled in a professional and secure manner, in accordance with the GWP Procurement Policy (or the Host Institution's Procurement Policy if agreed by GWP) and the GWP Financial Guidelines.

#### Tax

- Verify that the tax regulations (including social security contributions) applying to the organisation have been properly investigated and complied with. Verify that adequate provisions have been made if there are any material outstanding amounts in dispute at year end.

### **Advance Payments to consultants, employees and others**

- Assess whether advance payments to consultants, employees and other individuals are in accordance with contracts/agreements.

### **Fraud – ISA 240**

In planning and performing the audit to reduce audit risk to an acceptably low level, all audit teams should ensure that the risk of material misstatement in the financial statements due to fraud has been considered in accordance with ISA 240 *The Auditor's Responsibilities Related to Fraud in an Audit of Financial Statements*. Key actions should include:

- Arrange meetings with key management and other individuals, both finance and non-finance, within the RWP to discuss the potential for material misstatement.
- Identify the risks of material misstatement due to fraud, and develop and document responses to identified risks including plans to incorporate an element of unpredictability, into the audit.

Under International Auditing Standards, management override of control (fraud risk) is a mandatory significant audit risk. You should, therefore, consider fraud in all its forms, including:

- misappropriation of assets
- fraudulent financial reporting and
- management override of controls.

### **Compliance with ethical requirements and certification**

You are required to comply with the IESBA Code of Ethics. The appointed auditors of the GWP-Med should be certified by IFAC or certified by a national branch organization. Please forward the appropriate supporting documentation when you confirm your independence (**Appendix B**).

### **Auditing and accounting standards**

As the auditor of the GWP-Med, you are required to perform the audit based on General Accepted Auditing Standards (GAAS) in accordance with International Standards on Auditing (ISA).

You are required to assess whether the accounts have been prepared in accordance with GWP Financial Guidelines (**Appendix I**). Any deviation must be reported to PwC with a copy to GWP, together with a quantification of the effect and the reason for such deviation.

### **Materiality**

EUR 2,500 shall be applied to accumulate and communicate recorded and unrecorded audit differences to local management. The amount is **not** to be applied in establishing testing scopes.

## Engagement Letter

You are required to obtain an Engagement Letter from the Host Institution.

## Reporting / Deliverables

Your findings from your audit procedures should be reported to GWP-Med as follows:

**Appendix C, Auditors Questionnaire** : The GWP-Med auditor is required to complete the Auditors Questionnaire as regards the performed and reported audit. The deadline for submission of the report is the **20<sup>th</sup> of February** of each year following the end of the fiscal year to be audited e.g. 20 February 2021, 20 February 2022, 20 February 2023.

**Appendix E, Audit differences** : Audit differences includes both Judgmental Differences and Clerical errors should be reported to the local management of the Host Institution as they arise. All audit differences in excess of the nominal amount are to be included. Please provide adequate explanation of the nature of each audit difference, including a brief discussion of management's and the local auditor's position.

The Deadline for submission of the total Audit Differences is the **20<sup>th</sup> of February** of each year following the end of the fiscal year to be audited e.g. 20 February 2021, 20 February 2022, 20 February 2023. In addition, any findings should be documented in the Management Letter/Audit Memorandum.

**Appendix F, Signed Audit opinion and signed financial statements** : The audit opinion/audit report should be prepared in accordance with ISA 800. The deadline for submission of the report is the **20<sup>th</sup> of February** of each year following the end of the fiscal year to be audited e.g. 20 February 2021, 20 February 2022, 20 February 2023.

**Appendix G, Management Letter /Audit Memorandum** : The Management Letter is to summarize material audit results and conclusions, highlighting major issues from the audits, in order to help PwC Sweden to reach overall conclusions on the consolidated financial statements. The Management Letter from last year is attached to the Appendix G and should be followed-up.

The reporting format is optional. Your reporting should clearly stipulate the identified issues, risks and recommendations. An illustrative copy/template of a Management Letter is enclosed in Appendix G. The Management Letter is to include:

- Information as requested in the Guidelines
- A brief discussion of each important accounting and auditing issue
- Conclusion of the Overall Risk Assessments discussed
- Any audit differences and related conclusions as an attachment, (Appendix E)
- The Audit Team's overall conclusion on the engagement.

The Management Letter is further described in the GWP Financial Guidelines (Appendix I).

Your comments, observations or suggestions included in the Management Letter should first be discussed with and commented upon by local management. If local management disagrees with a comment and you still feel it is a valid point for inclusion in your letter, you should include the point and also state the client's position.

Even if you do not have any accounting or audit issues to report in the Management Letter, you are requested to issue a Management Letter informing local management and PwC that you have no issues to report.

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Your Management Letter is due to GWP-Med no later than **28<sup>th</sup> of February** of each year following the end of the fiscal year to be audited e.g. 28 February 2021, 28 February 2022, 28 February 2023 whether local management has already commented the letter or not.

**Appendix H**, The Representation Letter is a document prepared by the Host Institution addressed to the local auditor and should not be reported to PwC Sweden. An illustrative copy of the Representation Letter to be received from the Host Institution is enclosed in Appendix H. This should be revised in order to take into consideration the specific circumstances of the local engagement. For example, the letter should be used to confirm all oral representations made by management on specific matters that are material to the financial statements.

### **Attachments**

**Appendix C**, Auditors Questionnaire, (performed and reported audit)

**Appendix E**, Audit differences

**Appendix F**, Signed Audit Opinion and signed financial statements

**Appendix G**, Management Letter /Audit Memorandum

**Appendix H**, Illustrative Representation Letter

**ANNEX 2: Description of Services for Part B.1 ADA-NEXUS Project.**

See Call Announcement

**ANNEX 3: Description of Services for Part B.2 SIDA I and II Projects.**

See Call Announcement