

# **Audit protocol Dutch Cancer Society 2018**

## **Dutch Cancer Society Programme Research and Implementation**



October 2017

v1.0

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# Dutch Cancer Society Audit Protocol 2018

October 2017 version

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## 1 Introduction

### 1.1 Audit protocol background and objective

In certain project terms and conditions, the Dutch Cancer Society gives instructions to participating organisations on the spending and accounting for the financing. The 'Dutch Cancer Society Financing Conditions 2018 (October 2017 version)' apply to all financed projects that are implemented under the responsibility of a primary institution in the Netherlands. The 'Dutch Cancer Society Financial Regulations 2018 (October 2017 version)' are part of these financing conditions. These regulations deal specifically with the costs that are eligible for financing as well as the way in which the institutions must account to the Dutch Cancer Society for financial and other aspects of the project.

The objective of this audit protocol is to give instructions about the scope and frequency of the audit to the auditor who is responsible for the primary institution that has used Dutch Cancer Society funds in the context of the financed project in question.

Two aspects of the audit are of particular importance:

- a. auditors must use uniform tolerances and the required assurances for their audit;
- b. auditors must pay due care to the specific requirements stipulated in the laws and regulations, including the 'Financial conditions' and the accompanying 'Dutch Cancer Society Financial Regulations 2018 (October 2017 version)' in order to ensure that the spending of Dutch Cancer Society funds is legitimate.

To ensure that these aspects are presented properly, the instructions to external auditors for implementing the audit are provided in this audit protocol. This audit protocol indicates explicitly what the scope and frequency of the audit should be in the relevant situation.

### 1.2 Accounting

In accordance with the stipulations of the 'Dutch Cancer Society Financial Regulations 2018 (October 2017 version)', the primary institution must send a financial account to the Dutch Cancer Society before 1 June each year.

In this financial account, the projects are clearly divided into projects in progress, on the one hand, and completed projects, on the other. The primary institution is at liberty to send the financial account for completed projects to the Dutch Cancer Society sooner if they wish.

The financial account for completed projects must be accompanied by an audit opinion from an auditor with certification authority. An audit is not required for the financial accounting for projects in progress; the Dutch Cancer Society does, however, recommend having an auditor carry out an audit on these projects in progress in accordance with the requirements in this audit protocol.

## 2 Legislation

The following legislation applies in the context of projects financed by the Dutch Cancer Society:

- a. Award decision: the decision in which the Dutch Cancer Society states that it is prepared to fully or partially fund the project. This term may also refer to a decision in which the Dutch Cancer Society has amended, suspended or withdrawn an award decision taken previously;
- b. Dutch Cancer Society Financing Conditions 2018 (October 2017 version);
- c. Dutch Cancer Society Financial Regulations 2018 (October 2017 version).

## 3 Instructions for auditing the application of Dutch Cancer Society funds

The audit must meet the auditing standards that are part of the audit and other standards as laid down by the Dutch professional organisation, the Netherlands Institute of Chartered Accountants.

### 3.1 Scope of the audit opinion

The auditor must check whether the financial account meets the following requirements:

- a. the costs taken into account are in accordance with the 'Dutch Cancer Society Financial Regulations 2018 (October 2017 version)';

- b. the costs incurred can therefore be directly attributed to the project funded by the Dutch Cancer Society;
- c. the costs relate to the period of reporting;
- d. the co-financing and/or own contribution accounted for, for the project in question, have actually been realised.

### 3.2 Auditor's audit approach

The following prescribed audit procedures apply:

1. The auditor must conduct a risk analysis for the risk that the specific financial account may contain a material error. This risk analysis must be specifically conducted for this audit; a standard analysis will not suffice. In the risk analysis, the auditor will reveal any additional checks that will need to be carried out in order to unearth any significant risks.
2. Based on the risk analysis, the auditor must draw up an audit plan which lays down the nature, scheduling and scope of the audit procedures that the audit team must carry out to obtain sufficient audit evidence to reduce the control risk to an acceptably low level.
3. The audit tolerance actually used (in relation to the financial account) is recorded in euros in the audit plan. In the process, the approval tolerance (see Section 3.3) is translated into the applied audit tolerance, whereby the approval tolerance constitutes the maximum.
4. During the audit, it is established whether the items included in the financial account have been legitimately spent, taking into account the set margins (see Section 3.3). This means that the auditor establishes that the spending of Dutch Cancer Society funds complies with applicable laws and regulations. This is the case if the 'Dutch Cancer Society Financing Conditions 2018 (October 2017 version)' have been met, the contributions have been spent on the tasks as described in the application that was awarded, and if any other applicable requirements in the award decision have been met.
5. The auditor checks the following aspects in the information provided in the financial account:
  - a. the correct and complete representation of the co-financing and/or own contribution accounted for with respect to the costs of the financed activities;
  - b. the correct representation of the costs accounted for, in accordance with the requirements that have been included for this in the 'Dutch Cancer Society Financial Regulations 2018 (October 2017 version)';
  - c. the correctness of the information provided about whether or not the VAT could be deducted.
6. When auditing the financial account, the auditor may use the audit procedures that were carried out for auditing the financial statements. Merely referring to this does not suffice as documentation. These activities as well as the most significant and relevant conclusions must be described in the audit file for the specific opinion. It must be possible to use the audit file for the specific opinion as an independent file. This means that the relevant documents must be included in the file itself, and that the information from the financial statements dossier must be copied and processed for this specific purpose, if necessary.
7. The auditor must ensure that there is adequate audit documentation from which it is evident that the work was carried out in accordance with the audit plan and what the results of the audit were. The auditor must also ensure that the results were reviewed by the partner ultimately responsible. This documentation must in any event contain documents from which it is evident:
  - a. that the numerical correctness in the account has been checked;
  - b. that the account is in line with the financial administration;
  - c. what the nature and scope is of the tests carried out on the costs presented in the account;
  - d. that an analytical review has been carried out of the costs actually accounted for compared to the estimated costs;
  - e. that the auditor has checked whether the subsidy recipient has observed the procurement directives, if applicable.

### 3.3 Approval tolerances and required assurance

The auditor must use a reliability rate of ninety-five per cent (95%) for quantifying the reasonable degree of assurance.

If the auditor discovers misstatements in the financial account, or is unable to obtain sufficient and suitable audit evidence, this will have the following implications for the audit opinion:

Type of audit opinion	Unqualified	Qualified	Disclaimer of opinion	Rejection
Misstatements in the account	$\leq 1\%$	$> 1\%$ and $\leq 3\%$	-	$> 3\%$
Uncertainties in the audit	$\leq 3\%$	$< 3\%$ and $\leq 10\%$	$> 10\%$	-

There is a misstatement in the account if it becomes apparent from the investigation carried out that an entry or part of an entry does not meet the requirements of the applicable laws and regulations. Derogations from laws and regulations are construed as absolute; for this reason, setoff of misstatements is not permitted. Misstatements must be assessed based on the total financing contribution awarded (on the basis of the scope).

The auditor is considered unable to obtain sufficient and/or suitable audit evidence (uncertainty in the audit) if it is not possible to establish whether an entry or part of an entry complies with the requirements of applicable laws and regulations based on the available audit evidence.

Any misstatements discovered during the audit must be corrected as far as possible. Misstatements that are not corrected will result in a modified audit opinion if they are material.

The auditor must inform the Dutch Cancer Society about all misstatements discovered and not corrected. This would, for instance, be the case if a misstatement based on the applicable tolerances as included in the above table do not need to be corrected in the financial account.

The Dutch Cancer Society expects the auditor to also inform it of certain financial as well as non-financial aspects that the auditor deems relevant to the Dutch Cancer Society.

## 4 Reporting

The auditor must lay out the audit opinion in accordance with the design in Appendix A of this audit protocol, or in accordance with a more recent sample text that has replaced it, as issued on the Netherlands Institute of Chartered Accountants website.

Along with the financial account, the auditor must request a confirmation (letter of representation) from the management of the primary institution, which states that, to the best of its knowledge, the financial account contains all the transactions and receipts, that this overview is correct and complete in every respect, and that the applicable regulations have been met (see Section 2 of this audit protocol).

## 5 Additional requirements for the audit if there are participating organisations

It is clear from the 'Dutch Cancer Society Financing Conditions 2018 (October 2017 version)' that projects can also be carried out jointly by the primary institution and other participating organisations.

If there are participating organisations, the primary institution acts as the secretary and is the point of contact for the Dutch Cancer Society. If more than one participating organisation is involved in the implementation of a project, it will act as the secretary and be the contact person for the Dutch Cancer Society.

The primary institution reports to the Dutch Cancer Society on the financial account for the entire project that the participating organisations have implemented. It is not necessary for the audit to focus on the overall financial accounting from the participating organisations as a whole. It is sufficient that the audit opinions are provided with the financial accounting of various participating organisations (including those of the primary institution). It goes without saying that the audits at the participating organisations must be carried out in accordance with the requirements of this audit protocol.

The auditor for the primary institution provides an assurance report for the (overall) financial accounting for the participating organisations. This assurance reports states whether the total

financial accounting has been correctly combined from the (individual) financial accounts for each participating organisation, and whether unqualified audit opinions have been issued for these financial accounts in accordance with the applicable audit protocol. See Appendix B for the sample text for the assurance report.

## Appendix A: Audit opinion sample

### **Audit opinion on the financial account for the [name of project] project implemented by [name of primary institution]**

Independent auditor's opinion

Issued for the purposes of the Queen Wilhelmina Fund Foundation for the Dutch Cancer Society

To: (The principal)

We have audited the financial account certified by us under (project name) of (name of entity) at (place of business under the articles of association) in respect of (accounting period/year). The financial account was prepared by the board of (name of entity)<sup>1</sup> based on the 'Dutch Cancer Society Financial Regulations 2018 (October 2017 version)'.

#### **Management's responsibility**

The management of the entity is responsible for preparing the financial account in accordance with the 'Dutch Cancer Society Financial Regulations 2018 (October 2017 version)'.

The management is also responsible for such internal control as it determines is necessary to enable the preparation of the financial account that is free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to provide an opinion on the financial account based on our audit. We have conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing, and the Dutch Cancer Society's audit protocol of .... This requires that we comply with ethical requirements applicable to us, and plan and perform the audit to obtain reasonable assurance about whether the financial account is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and notes in the financial account. The procedures selected depend on the professional judgement applied by the auditor, including the assessment of the risks that the financial account is free from material misstatement, whether due to fraud or error.

In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation of the financial account in order to design audit procedures that are appropriate in the circumstances. However, these risk assessments are not intended for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used for financial reporting and the financial reporting framework for the legitimate conclusion of responsible transactions.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Audit opinion for the financial account**

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<sup>1</sup> Depending on the nature of the entity, this may be replaced by a more appropriate name, such as 'the board of the association', 'foundation' etc.

In our opinion, the financial account for (name of entity) for (accounting period/year) was prepared in accordance with the 'Dutch Cancer Society Financial Regulations 2018 (October 2017 version)' in all of the aspects that are of material importance. This implies that:

- a. the costs accounted for are in accordance with the 'Dutch Cancer Society Financial Regulations 2018 (October 2017 version)';
- b. the costs incurred can be directly attributed to the project;
- c. the costs relate to the period of reporting;
- d. the co-financing and/or own contribution accounted for, for the project in question, have actually been realised.

#### **Limitation in use and circle of distribution**

The financial account was prepared to enable (name of entity) to comply with the 'Dutch Cancer Society Financial Regulations 2018 (October 2017 version)'. The financial account therefore does not need to be suitable for other purposes. Our report is solely intended for (name of entity) for the purposes of accounting to the Queen Wilhelmina Fund Foundation for the Dutch Cancer Society and should not be distributed to or used by anyone other than Queen Wilhelmina Fund Foundation for the Dutch Cancer Society.

Place, date

Signature (Signature, name)

## Appendix B: Assurance report sample

### Assurance report on the financial account for the [name of project] project implemented by [name of primary institution]

Issued for the purposes of the Queen Wilhelmina Fund Foundation for the Dutch Cancer Society

To: (The principal)

#### Engagement and responsibilities

We have investigated several aspects of the financial reporting for the ..... project for the period ..... The financial reporting for the ..... project was combined by ..... based on financial and other accounts provided by the participating organisation to the primary institution. It is our responsibility to issue an assurance report with regard to the financial reporting.

#### Nature and scope of the activities performed

We carried out our work in accordance with Dutch law, including the Dutch Standard 3000, 'Assurance engagements other than audits or reviews of historical financial information'.

The engagement means that, in the context of the project, we have carried out the investigation into the correct combining of the financial information from the participating organisation concerning the project for the period ....., as included in this financial report.

#### Activities performed

We have performed the following activities:

conducting an investigation into the correct combining of the financial and other accounts from the participating organisation within the project over the period .....

1. the financial account is structured in accordance with the budget approved by the Dutch Cancer Society;
2. the correctness of the calculations and the combinations of the financial report included in this report on the basis of the final financial and other accounts for each participating organisation within the project;
3. have taken note of the audit opinions accompanying the financial accounts issued by the auditors of the participating organisation.

### Applied criteria

We applied the following criteria when carrying out our engagement:

- Dutch Standard 3000, 'Assurance engagements other than audits or reviews of historical financial information';
- The Dutch Cancer Society Audit Protocol 2018 (October 2017 version), 'Section 5 Additional requirements for the audit if there are participating organisations'.

### Conclusion

Based on the activities performed, we conclude that the financial and other accounts from the participating organisation in the **project** have been correctly combined on the basis of the final financial and other accounts for each participating organisation.

We conclude that the financial account is structured in accordance with the budget for the **project** approved by the Dutch Cancer Society.

We have taken note of the audit opinions accompanying the financial accounts issued by the auditors of the participating organisation and conclude that these audit opinions are unqualified. The audit opinions were prepared in accordance with the sample prescribed in the audit protocol.

### Limitations in use and circle of distribution

The certified financial report for the **project** and our assurance report are intended exclusively for the **primary institution** for its accounting to the Dutch Cancer Society and therefore must not be used for other purposes.

**Place, date**

**Signature (Signature, name)**