

ANNEX 3: Description of Services

Terms of the Engagement and scope

PwC have been engaged to audit GWP's financial statements in accordance with International Standards on Auditing (ISA).

The main objective of our audit is to provide ourselves and the management of GWP with the assurance that reported figures; funds transferred to RWPs, funds transferred to CWPs and locally raised funds, are accurate and provide a true and fair view of GWP's results and financial position for the year ending 31 December 2023, 31 December 2024 and 31 December 2025.

As a RWP auditor, you will be requested to report the consolidated findings for the region. You are requested to audit the report/s in accordance with ISA 600 and other information received from the GWP auditors.

For locally raised funds, the local donor's audit requirements prevail, however, locally raised funds reported to GWP shall, as a minimum, comply with these instructions.

GWP background

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 70 accredited CWPs, and 3,000 Partners located in 179 countries.

GWPO is managed by an Executive Secretary, who reports to the Steering Committee. The Steering Committee is the executive body of the Organization. It develops, steers, and organizes the work of the Organization and guides the co-operation among the Partners within the Network. It provides policy oversight and approves the work program and budget. Since 2002, the GWP is an intergovernmental organization hosted by the Government of Sweden. More information can be found at www.gwp.org.

GWP Mediterranean is a Regional Water Partnership (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). 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.

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/RWP to GWPO are the basis for the audit. **No adjustments shall be made to the financial reports of each year as a result of the audit. Adjustments may instead be made to the financial reports the following financial year.**
2. **Contractual arrangements between the Regional Host Institution and the Country Host Institute**
 - If funds are transferred from RWP to the CWP/Partner, the audit should verify that valid, signed agreements are in place between the Regional Host Institution and the receiving legal entity representing the CWP/Partner.
3. **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.
4. **Annual Anti-Fraud/corruption Declarations**
 - Comments on whether all employees of the RWP and the Steering Committee members have signed the Annual Declaration, as verified by the register kept at the RWP.

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:

Perform analytical procedures, examine journal entries and other adjustments and review accounting estimates and judgments. Unpredictable audit tests should be applied in this area and may include reviewing journal adjustments that are below your local materiality, reviewing the cumulative Income Statement impact of all journals not audited and/or auditing journals that have been posted at unusual times of day or week.

- 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 RWP's should be certified by IFAC or certified by a national branch organization. Please forward the appropriate supporting documentation when you confirm your independence.

Auditing and accounting standards

As the auditor of the RWP, 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. Any deviation must be reported to GWP Auditors with a copy to GWP, together with a quantification of the effect and the reason for such deviation.

Auditing accounting estimates and related disclosures

International Standard on Auditing (ISA) 540 (Revised) includes requirements in relation to the consideration of accounting estimates and related disclosures. Based on the entity's accounting and related transactions the auditor should consider whether accounting estimates are reasonable and fair.

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.

We expect an overall materiality level calculated at no more than 3% of total costs. The determined level should be communicated to GWP and GWP Auditors for information. However, ensure that all uncorrected misstatements which come to your attention are reported to us unless they are trivial. We have concluded that any misstatements of less than EUR 2 500 should be treated as trivial.

Fraud should be reported even if the amounts are trivial. We request that you notify us on a timely basis of any matters that require our attention. Your documentation needs to cover:

- The nature of the matter;
- Its accounting, auditing, or reporting significance;
- The persons with whom the matter was discussed; and
- Conclusions reached the related rationales and the actions taken, including relevant audit procedures performed.

Engagement Letter

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