

## **Audit instructions for financial statements, pertaining to grants provided by The Innovation Fund Denmark.**

These instructions are applicable to the following grant programs:

- Grand Solutions

### **§ 1.**

(1). The audit must be performed by a state-authorized, registered, approved or registered EU/EEA auditor, as these are defined by the Danish Act on Approved Auditors and Audit Firms (the Auditor Act)<sup>1</sup> §§ 3, 10 and 11.

(2). If the auditor is not a Danish auditor, the requirements in these instructions still apply.

(3). Audits in Denmark must comply with standards for public auditing. Abroad, financial and compliance audits must follow recognized international standards issued by the International Federation of Accountants (IFAC) and/or the International Organization of Supreme Audit Instructions (INTOSAI). Foreign auditors must be informed of the content of these auditing instructions.

(4). The following entities must submit a declaration from the financial responsible party in connection with the financial interim reporting, annual and final reporting:

- State and independent public enterprises, which are subject to Rigsrevisionen<sup>2</sup>.
- Municipalities and regions where the grant is less than DKK 1 million.

(5). Grant recipients not covered by (4). of this paragraph must provide an auditor's statement as an appendix to the financial statement cf. § 3 in the Danish Act on Public Audits<sup>3</sup>.

(6). In the event of an auditor change during the grant period, the incoming auditor must contact the outgoing auditor, who is obligated to provide the reasoning for their resignation.

(7). The declaration by the financial responsible party or the auditor's statement must be based on:

- The guidelines for the program, which the grant was awarded.
- The investment agreement, including any subsequent amendments.

(8). The auditor's statement must conclude whether the financial report satisfies the following criteria:

1. Identification/description of the grant to which the declaration/auditor's statement pertains, including the financial period covered by the report.
2. Whether the financial report is accurate, i.e., free of material misstatements and omissions.
3. Whether the grant conditions are being met.
4. Whether the grant is used for its intended purposes.
5. Whether the grant recipient and its partners have demonstrated cost-effectiveness.

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<sup>1</sup> Lov om godkendte revisorer og revisionsvirksomheder (revisorloven) - LOV nr 468 from 17/06/2008

<sup>2</sup> The National Audit Office of Denmark.

<sup>3</sup> Bekendtgørelse af lov om godkendte revisorer og revisionsvirksomheder (Revisorloven) - LBK nr 25 from 08/01/2021

6. Whether the information provided by the grant recipient, and its partners, to The Innovation fund Denmark is accurate.
7. Whether the objectives and performance parameters are documented.
8. Whether the grant recipient's management maintains administrative procedures necessary to meet and maintain the financial reporting requirements of the grant agreement in a documented and reliable manner.

(9). Financial reports from project participants who do not receive investment from The Innovation Fund Denmark are not subject to audits.

## § 2.

(1). Grants not covered by § 1 (4). the audit must be conducted in accordance with good public accounting practice, as defined in the Danish Act on the Audit of State Accounts and Related Matters<sup>4</sup> (Consolidation Act No. 101 of January 19, 2012).

(2). The audit must verify whether the financial report is accurate and whether the transactions included in the report comply with the grant conditions, laws, other regulations, agreements, and customary practices. Additionally, an assessment must be made as to whether proper financial considerations have been taken in the administration of the funds covered by the report.

(3). The audit of the grant must be based on ISA 800 as well as Rigsrevisionens guidelines SOR 1-7 for sections concerning other financial reports.

(4). The scope of the audit depends on the grant recipients administrative structure and financial procedures, including internal controls and other factors relevant to financial reporting. The size of the grant also affects the scope of the audit.

(5). During the audit, the auditor must verify and report on the points mentioned in § 1 (8).

(6). The audit is conducted using randomized sampling techniques.

## § 3.

(1). The grant recipient must provide the auditor with the information deemed relevant by the auditor, for the evaluation of the financial statement as well as the assessment of the administration of the grant, including results. The grant recipient must allow the auditor to conduct any necessary examinations and ensure the auditor receives any information and assistance needed to perform the audit.

## § 4.

(1). If the auditor becomes aware of any legal violations or other significant breaches of regulations related to the administration of the grant funds, the auditor must immediately notify the grant recipient and ensure that the management informs The Innovation Fund Denmark within 3 weeks. If this does not occur, the auditor is obligated to notify The Innovation Fund Denmark. The auditor's comments are to be included in the notification.

(2). This also applies if the auditor, during the audit or otherwise, becomes aware that the project is at risk due to financial or other reasons.

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<sup>4</sup> Lov om revisionen af statens regnskaber m.m. (Rigsrevisionsloven) - LOV nr 321 from 26/06/1975

§ 5.

The audited financial report must include an auditor's statement indicating that the financial report has been audited in accordance with these instructions. Any observations must be included in the auditor's statement.

(2). A copy of the auditor's statement must be submitted by the grant recipient to The Innovation Fund Denmark along with the audited financial report.

§ 6.

Specific auditing requirements for the following programs:

- Grand Solutions

For project participants, who are not included in § 1 (4). the following applies:

- Financial reports covering periods where the total requested disbursement of funds from the Innovation Fund Denmark amount to less than DKK 500.000,00 no audit will be requested.
- An auditor's statement covering the entire project period will be required along with the projects final financial report, at the projects conclusion.
- No auditor's statement is required for the 20% prepayment.