

Annex 7

Guidelines for Appointment of an Auditor for BC GIF Programme Partners

Introduction

These guidelines serve to explain the process of auditors' appointment by the Better Cotton Growth and Innovation Foundation. The appointed audit firm will comply with the level of competence that the Better Cotton Growth and Innovation Foundation (BCI GIF) requires. The appointed audit firm(s) are fully independent of BCI GIF and our programme partners (PP).

The BCI GIF has the objective to work with best independent auditors and to refrain from any preferential treatment.

Process

The audit firm has been selected and engaged based on the following criteria:

- A qualified, independent audit firm, maintaining adequate enforcement mechanisms for conducting credible, systematic, objective, and high-quality financial audits in compliance with the International Standards on Auditing (ISA). The instructions to the appointed auditor are issued according to SAS-600. See Section 1 and 2 below for information.
- Auditor is capable and willing to work exactly according to templates and defined requirements (audit instructions) of the BCI GIF auditor.
- Auditor is capable and willing to provide all audit documents in English.
- In good cooperation with the Programme Partner (PP), the auditor can meet the deadline and deliver the audit documents on time. As the audit report is part of the annual reporting cycle of the BCI GIF with a tight schedule, meeting the deadline and reporting in time is crucial.
- Reputation and professionalism of the auditor.
- Experience of the auditor in the non-profit sector where its clients received funds/grants from an international organization and experience in the sector/industry of the PP.
- Price of the services of the auditor (total fee for the audit and hourly fees).
- Audit approach of the auditor.

The appointed auditors are selected by BCI GIF through a rigorous and open competitive process whereby the candidates have demonstrated their independence, professional competencies, and qualifications, as well as understanding of BCI GIF audit requirements.

The documentation and records of the process can be consulted upon request.

The audit of BCI GIF project financial statements will be performed after the end of each annual cycle during the time period specified in the Funding Agreement.

BCI GIF Programme Partners are requested to cooperate diligently with the auditors and provide promptly any information (including complete accounts, individual salary statements or other personal data) to verify the compliance with the Funding Agreement.

For on-the-spot visits, the Programme Partner must allow access to sites and premises and must ensure that the information requested is readily available.

Information provided must be accurate, precise, and complete and in the format requested.

Section 1 Declaration of Independence and Compliance

Ethical and Independence Requirements

We confirm that we have an understanding of, and will comply with, the ethical requirements, including independence requirements, described in IESBSA Code of Ethics for Professional Accountants that is sufficient to fulfil our responsibilities in the audit of name of the GIF Programme Partner (“PP”) financial statements.

We have notified all individual engagement team members that they are required to be independent with respect to the entities on the affiliate list included in the group audit instructions. We have notified all engagement team members of the requirement to immediately report independence concerns or breaches to the participating auditor audit partner. We understand our responsibility to immediately communicate independence breaches to the RSM GIF auditors.

Compliance with Instructions and Cooperation

- All the team members have received, read, and understand the GIF Audit Instructions and expect to be able to comply with them and meet the due dates set forth therein.
- We possess the skills (e.g. industry specific knowledge) necessary to perform the work on the financial information of the particular GIF-funded PP.
- We understand that the financial information of the PP referred to above will be included in the GIF financial statements and that you intend to use the results of our work on the PP for the purpose of the audit of the GIF financial statements.

In addition, we confirm the following in connection with the audit:

- We will cooperate with you and provide you with access to relevant audit information and/or documentation.
- We acknowledge that we are familiar, and will comply with:
 - Accounting principles applied by GIF and PP, as per Section 2:
 - Auditing Framework of International Standards on Auditing (ISA)
 - We understand the additional requirements outlined by you in your referral instructions that you have informed us will ensure compliance with the applicable financial reporting framework sufficient to fulfil our responsibilities in the audit of the GIF financial statements.
 - We acknowledge and agree that we will not provide other services to the GIF programme partner other than audit services.
 - As per your audit instructions, we have determined our local materiality using 2% of the total of expenditures.

We will inform you of any changes in the above representations during the course of our work on the financial information as of March 31, 2024 and for the year then ended.

Name of firm

Signature of partner

Name of component auditor

Date

Section 2 Applicable Accounting Standards

General

The applied accounting principles are based on the historical cost convention. Unless stated otherwise, assets and liabilities are shown at nominal value.

An asset is disclosed in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

A liability is recognized in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

Revenue is recognized in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenditures are recognized when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits and or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet if economic benefits are not probable and/or cannot be measured with sufficient reliability.

The income and expenses (e.g. personnel costs, other costs) are allocated to the period to which they relate.

Use of estimates

The preparation of the financial report requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. Actual results may differ from these estimates.

The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period in which the estimate is revised and in future periods for which the revision has consequences.

Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into to the functional currency at the exchange rate applying on that date.

Accounting principles of assets, liabilities, and the result

Financial instruments

Financial instruments include trade and other receivables, cash items and trade and other payables. Financial instruments are initially recognized at fair value. After initial recognition, financial instruments are valued in the manner described below.

Trade and other receivables

Trade and other receivables are carried at their nominal value, less provision for bad debts (impairment losses).

Trade and other payables

Trade and other payables are carried at their nominal value. Provisions must be made and charged to

the profit and loss account if past events lead to the expectation of a cash outflow (without a consideration in return) in future financial years.

Revenue and expenditure

The income and expenditures are allocated to the period to which they relate. Income is matched to project expenditures.