



**PROTOCOL FOR
SELECTING AN EXTERNAL
AUDITOR
ETC Foundation**

ETC	Management
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For Approval:

A handwritten signature in blue ink, consisting of several fluid, overlapping strokes that form a cursive-like name.

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1 INTRODUCTION

ETC Foundation (hereafter to be referred to as ETC) is conscious of the need to engage external auditors to provide a thorough and effective financial audit of its annual financial statements. To enable this, the selection of ETC's external auditor is conducted in accordance with the following principles:

1. ETC's Audit Committee¹ oversees and approves the appointment of the external auditor in accordance with the Committee's roles and responsibilities and with the assistance of ETC's management.
2. The Audit Committee appoints the auditor through a formal tendering process.
3. The independence of the external auditor is a key component of ETC's Code of Conduct. The selection method ensures that the auditor is independent and has appropriate expertise and experience to provide the required audit services to the organisation.
4. The auditor must be legally registered in the Netherlands as an auditing firm and a member of an accredited professional body.

2 PROCESS

- The Audit Committee reviews and approves the Terms of Reference (ToR) for the selection of the external auditor developed by ETC's management.
- The Audit Committee ensures that the ToR provides tendering auditors with sufficiently detailed information concerning the organisation, its operations, its management and organisational structures and budget so that an appropriate proposal and fee estimate can be presented.
- The Audit Committee reviews the short list of candidates proposed by ETC's management and recommends a minimum of three auditing firms to be invited to tender.
- The tender offer requires the auditors to provide interests and details of their capabilities and experience, vis-à-vis the criteria mentioned in Section 3 below.
- ETC's management reviews the tenders received and makes an objective selection based on merit.
- ETC's management undertakes reference checks before making a final recommendation to the Audit Committee.
- The Audit Committee reviews the recommendation from ETC and invites the short-listed candidate for a formal presentation.
- ETC's Board of Trustees issues a formal letter of engagement with the approved auditor before any audit work begins.
- The Audit Committee reviews the overall performance of the external auditors on an annual basis and their re-appointment or discharge is based on the outcomes of the review.

¹ ETC's Board of Trustees constitutes the organisation's Audit Committee. The composition, role, responsibilities and activities of the Board of Trustees are governed by the Articles of Association of the organisation.

3 CRITERIA

The Audit Committee reviews and approves the list of needs, expectations and criteria for appointing an auditor that have been developed by ETC. The criteria will include:

- actual and perceived independence;
- an understanding of ETC as an organisation, its activities and the NGO sector in which ETC operates;
- the experience of the auditor within the NGO sector and familiarity with the conditions of procedures imposed on ETC by its main donors and clients;
- the calibre of the team and team leader proposed;
- the relationship between the audit partner, the Board and senior management;
- the methodology proposed for the audit process;
- the procedure to be followed in the event that ETC, or its donors or clients, perceive the performance of the audit partner to be unsatisfactory; and
- the proposed fee and structure.

4 INDEPENDENCE

- The Auditor must be objective and independent of ETC. The Audit Committee will consider the actual and perceived independence in selecting the external auditor.
- The Auditor must not provide services that impact on their independence in the audit role. Generally, these include services where the external auditor:
 - a. participates in activities that are normally undertaken by management;
 - b. is remunerated through a “success fee” structure;
 - c. acts in an advocacy role for entities within ETC; or
 - d. where the auditor may be required to audit their own work.