

## **Guidelines for auditors regarding audit work connected with the audit of financial statements for exploration licences**

### **General remarks**

These guidelines for auditors describe the work which the Mineral Licence and Safety Authority (MLSA) expects the auditor to perform as a minimum before issuing an audit report on financial statements for an exploration licence. There may be situations where the auditor must expand the scope of work if, for example, the auditor becomes aware of errors or omissions in the accounts prepared by the management.

A firm of state-authorized public accountants, which is a member of an international association of audit firms, must carry out the audit. Choice of another auditor requires approval from the MLSA.

### **Audit instructions**

1. The auditor must check the transaction trail by reconciling the amounts stated in boxes 1A-7F of the accounts form and supplementary form with the accounting records of the licensee.
2. The auditor must check the calculations in the accounts form and supplementary form.
3. The auditor must take a sample covering all expenses exceeding DKK 25,000. If this sample does not cover at least 80 per cent of the total expenses stated in box 8G in both the accounts form and the supplementary form, the sample must be extended until this criterion is met.
4. The auditor must check the following for the selected vouchers/transactions:
  - The amount on the voucher corresponds with the amount in the accounts form/supplementary form.
  - The voucher is an original, and the recipient is the licensee (possibly a group company).
  - The salary on salary vouchers relates to a period where the employee carried out field work in Greenland.
  - The voucher is attested/approved in accordance with the recipient's procedures.
  - The exploration cost is directly attributable to exploration work for the relevant exploration area in the relevant year and is correctly recorded.
  - Expenses of prospecting comply with the temporal (3 years) and geographic requirements in the "Application procedures and standard terms for exploration and prospecting licences for minerals in Greenland".
5. The auditor must check that the basis for any exchange rate translation is correct.
6. The auditor must obtain a management statement that the financial statements for the relevant exploration licence are without material errors or omissions.

### **Auditor's report**

If the audit does not give rise to material observations, the auditor will issue a standard audit report (see enclosed) to the MLSA. If the auditor believes that the financial statements contain material errors or omissions the auditor must issue a qualified audit report. If the auditor is of the opinion that there are circumstances, which are material for the MLSA's understanding of the financial statements (significant accounting estimates etc.) the auditor should include a description of these circumstances in the auditor's report as supplementary information after the conclusion paragraph.

The auditor's report can initially be submitted in PDF format with the appropriate signatures. Subsequently the report must be sent by post with the appropriate signatures.