

ANNEX 1:



Financial Audit Guidelines and Policies For Projects Funded by ADRA International under the Private Grant Program

Definitions

The term “Project” refers to the Private Grant projects funded by ADRA International.

The term “Period” refers to the schedule for which the implementation and reporting phases of the Project have been approved.

The term “Audit” refers to agreed upon procedures to be performed by qualified individual independent from Country Office.

Purpose

These guidelines aim to ensure that proper standards of integrity, accountability, transparency, and stewardship are being practiced by ADRA Country Offices (CO) when managing a Private Grant funded project.

Private Grant program donors are entitled to know that the projects they are supporting are not and will not be compromised in any way, and that ADRA abides by the following principles in all procurement activities:

- Integrity of all personnel working with procurement.
- Transparency within the whole procurement process.
- Impartiality towards candidates and tenderers.
- Ethical behavior in all undertakings.
- Equal treatment and non-discrimination of potential contractors and donors.

1. Audit

An audit is required for projects where ADRA international's contribution is above \$50,000 and its costs must be included in the project budget. The audit report must be submitted within 45 days after the project end date. Project remaining funds will be released by ADRA I only if the audit report does not include material or significant deficiencies.

1.1. Audit Standards

The audit of the ADRA Private Grant funded project shall be performed and based on agreed upon procedures in the project agreement between ADRA International and the Country Office (CO). Audits should be conducted by independent external audit firms selected based on a competitive bid and reference check. The auditor must be a certified or chartered accountant and must be licensed to conduct the audit in the project country and in accordance with the International Standards on Auditing (ISA) and standards issued by the International Organization of Supreme Audit Institutions (INTOSAI) or similar international standards.

1.2. Audit Reports

Audits are an integral part of the Project and should therefore be planned and budgeted from the beginning of the project cycle so that the costs are budgeted and the key indicators are achieved according to the purpose and scope of the audit to be conducted at the conclusion of the Project. In addition, audits should be planned and scheduled well in advance in order to meet reporting deadlines and to ensure a timely completion.

It is up to the discretion of the auditors and according to the scope of their audit to conduct or recommend a programmatic audit as well.

The scope of an audit includes an examination of all underlying records and access to information without limitation imposed by the office being audited. Auditor shall perform procedures required to provide donors with reasonable assurance and confirmation whether or not monies received as income to this project were used in accordance with the intended purpose, donor agreement, and applicable policies, procedures, and regulations. The results of the audit shall be communicated in audit's report which shall include a description of the scope and procedures performed, significant findings and conclusion.

The audit report must also disclose any instances of funds being misused, any costs that are questioned, and any infraction from the agreement signed with ADRA International, or these financial guidelines.

The objective of the audit, as documented in the independent auditor's report, is to ensure that:

- 1) Stated project objective(s) have been achieved;
- 2) All project income is properly sourced and identified;
- 3) Project income was used solely for its intended purpose;
- 4) The financial report of the project is fairly stated and reliable;
- 5) Expenditures were legitimate and correspond to adequate supporting documentation;

- 6) Expenditures were in accordance with approved budget;
- 7) The intention for any deviation in the budget line items was disclosed transparently and without reservation prior to its implementation;
- 8) All modifications to the approved budget are approved by the authorized individuals at ADRA International, prior to their implementation;
- 9) Accounting records and documentation are at acceptable levels and are prepared in accordance with internationally accepted accounting standards; and
- 10) These Financial Guidelines have been properly followed.

1.3. Preparation for the Audit of Private Grant Project

Here is a list of typical document auditors could need to perform an audit. They may require additional information upon their arrival, but these items will cover most of their procedures. Ensuring that all items below are in order before the audit will make the process more rapid and efficient.

A. Administrative Items	
1	An organizational chart for all projects and office administration.
2	All policies, procedures, and operating manuals that relate to the Project, including but not limited to: <ol style="list-style-type: none"> (a) Financial Policies; (b) Procurement Policies; (c) Human resource policies.
3	Any other related reports conducted by: <ol style="list-style-type: none"> (a) Your local internal audit department; or (b) Other auditors (e.g., GCAS, external, etc.)
4	The GCAS Audit Report of ADRA Country Administration.
5	The minutes of the following meetings: <ol style="list-style-type: none"> (a) Governing Board or Executive Management; (b) ADCOM minutes; (c) Project committee minutes; (d) Documentation on any fraud or investigation.
6	Copy of project agreement, amendments, No-Cost Extensions, and latest approved budgets for the project.
B. Cash Items	
7	List of all bank accounts opened during the period of audit. List by each Project, showing the authorized signatories, type of account and currency denomination.
8	Copies of bank reconciliations for all Project bank accounts for the period of audit.
9	Copies of bank statements for all Project bank accounts for the period of audit.
10	Monthly bank statements for Project accounts for the period of audit.

C. Accounts Receivable Items	
11	List of details of accounts receivable at Period end, reconciled to the trial balance. Should include employee advances or advances to the Administration.
12	Records supporting collection of accounts receivable subsequent to Period end. Check copies, remittance advices, and bank deposit slips.
D. Property and Equipment Items	
13	Property and equipment register for the Projects as of Period end.
14	Documentation of most recent physical inventory of equipment and property.
15	Listing of equipment disposals during the period and related documentation.
16	Property and equipment register for the Project as of Period end.
17	Access to vouchers and procurement documentation for purchases of equipment and property for Project during the Period.
18	Access to insurance policies for any insured equipment.
E. Accounts Payable/Liability Items	
19	List of details of accounts payable and other liabilities for each Project at Period end, reconciled to the trial balance. (a) Expenditures, (b) Payroll.
20	List of employees for the project during the Period with dates of employment, and position. When employees are covered by more than one project or by a combination of Projects and Administration, indicate the method of distribution or allocation of salary & benefits.
F. Commodities Information (if not applicable, please state)	
15	Copy of latest physical inventory of items in the warehouse.
G. Revenues	
16	General ledger detail of each revenue or contribution account for the Period.
17	Access to supporting documentation for cash receipts and project income.
H. Expenditures	
18	General ledger detail for selected Project expense accounts.
19	Access to original supporting documentation for all Project expenditures.
I- Payroll	
20	General ledger detail for all Project salary expense accounts for the Period. (Including Volunteers, Stipends, insurance etc.)
21	Payroll registers for the Period, reconciled to the general ledger.
22	Access to timesheets, employment contracts, personnel files and payroll disbursement records for all project employees.
23	Proof of payment of employer taxes on salaries and social security.