

## **NGO SPOTCHECK**

### **BACKGROUND**

A Spotcheck forms one element in the risk management program for ensuring the validity of NGO claims. The other elements are the accreditation process for NGOs that occur on a five-year cycle and the access and audit provisions of the Head Agreement.

Community Programs Section in consultation with Audit Section and AusAID Desk officers, may select NGOs for a Spotcheck on an as needs basis.

Selection will be based on a number of factors, including but not limited to: time period since accreditation, and previous audit recommendations.

NGOs generally will not be selected in the same financial year they will be subject to an OR or an audit.

NGOs selected for Spotcheck would normally be given five working days notice before the arrival of the Spotcheck team.

Objective:

- To report on the adequacy of financial management and associated systems, procedures and records employed by the NGO in managing program/projects receiving funds from AusAID.

### **GENERAL TERMS OF REFERENCE**

1. AusAID will select the year/activity that is to be the subject of the Spotcheck. In determining the year or activity, AusAID will consider all relevant factors such as access to documentation (including documents from project site overseas) and availability of audited financial statements and acquittals.
2. Emphasis is placed on establishing the existence of appropriate financial management systems and procedures, project management records and data that will substantiate claims from the NGO.
3. Particular attention should be paid to the internal control systems such as procedure manuals and risk management plans, that support the NGO's systems.
4. Where possible, NGO personnel should assist accessing information on systems and records during the Spotcheck.
5. Once the existence of appropriate systems has been established, examinations are to be undertaken of the NGO's supporting documentation relating to specific claims (purchase orders/invoices, time sheets, leave records, movement requisitions, or exchange rate calculations).

## **NGO RDE SPOTCHECK**

### **BACKGROUND**

Australian NGOs are accredited with AusAID at either the full or base level. Accreditation enables the NGO to receive an annual allocation through the AusAID-NGO Cooperation Program (ANCP). The ANCP is a matching grant scheme that subsidises NGO activities.

Each NGO's allocation (Indicative Planning Figure or IPF) is calculated based on the average of the last three years of its Recognised Development Expenditure (RDE). The RDE is the amount of money that each Australian NGO raises from the Australian public in a financial year and remits overseas for development assistance, emergency relief or rehabilitation activities. RDE can also include volunteer and in-kind contributions, and money spent in Australia on development education. The IPF is calculated using the RDE Worksheet which is based on the organisation's most recent annual accounts.

Recent audits and accreditation reviews of agencies have revealed some errors and miscalculations in the figures provided to AusAID. The purpose of the RDE Spotcheck is to verify documentation in support of RDE worksheets and confirm the accuracy and validity of the calculations submitted to AusAID.

RDE-specific Spotchecks may be conducted on an as needs basis following receipt of NGO RDE worksheets and calculation of annual IPF figures. Generally, they take place in the early part of the financial year. Agencies with a history of errors, or adverse audit findings could expect more attention.

### Objective

- To report on the adequacy of financial management and associated systems, procedures and records employed by the NGO in managing program/projects receiving funds from AusAID.

### GENERAL TERMS OF REFERENCE

1. AusAID will select the agencies subject to the RDE Spotcheck. The latest submitted RDE Worksheet submitted by the agency will be the subject of the Spotcheck.
2. Emphasis is placed on establishing the existence of appropriate financial management systems and procedures, project management records and data that will substantiate claims from the NGO.
3. Particular attention should be paid to the internal control systems in place that support the NGO's systems.
4. Where possible NGO personnel should assist accessing information on systems and records during the Spotcheck.
5. Once the existence of appropriate systems has been established, examinations are to be undertaken of the NGO's supporting documentation relating to specific claims (RDE Worksheet for the latest year).

### SPOTCHECK TERMS OF REFERENCE

#### Spotcheck and Recognised Development Expenditure (RDE) Spotcheck Program

### DURATION

The Contractor will be an independent accountant or auditor contracted to AusAID and shall undertake the Consultancy Services outlined below on the nominated AusAID accredited Non-Government Organisations. Each Spotcheck should take a maximum of three days in the offices of the nominated NGO with the draft report provided to AusAID within five working days of completing the audit. The Spotcheck team will normally comprise two or three members and may be accompanied by an AusAID representative.

## **BACKGROUND**

All the nominated agencies are Australian NGOs and accredited with AusAID as either a full level agency or a base level agency. Accreditation enables the agency to receive an annual allocation through the AusAID-NGO Cooperation Program (ANCP). The ANCP is a matching grant scheme that subsidises NGO activities. Full and Base level agencies provide AusAID with an Annual Development Plan and Annual Report including acquittal.

Each NGO's allocation is calculated based on its Recognised Development Expenditure (RDE). The RDE is the amount of money that each Australian NGO raises from the Australian public in a financial year and remits overseas for development assistance, emergency relief or rehabilitation activities. RDE can also include volunteer and in-kind contributions, and money spent in Australia on development education.

## **SCOPE OF SERVICES**

The Contractor shall provide the following Consultancy Services in respect of the Spotcheck.

### **Approach**

In consultation with the NGO under review, the Spotcheck will incorporate as necessary the following:

- Review the relevant program/project files and claims paid by AusAID;
- Review relevant documentation held by the NGO;
- Examination of the NGO financial accounting management systems and relevant documentation associated with the preparation and management of the claim/project or RDE calculations for AusAID funds.
- Discussions with appropriate NGO personnel; and
- Correlation of the results of the Spotcheck in the form of a report.

These activities should be undertaken in the phases described below:

### **Pre-Spotcheck**

- NGOs generally will generally not be selected in the same financial year they will be subject to an Organisation Review or an audit.
- NGOs selected for Spotcheck will be given five working days notice before the arrival of the Spotcheck team.
- Members of the Spotcheck team should liaise with each other to obtain a detailed understanding of the NGO and the Programs/Projects involved. AusAID will provide the team with the following documentation to assist in its task;
  - Annual Development Plan or Project Proposal for each agency for the year in question;
  - Annual Report or Project completion report including acquittal for the activity being reviewed;
  - Copy of latest Annual Report/Audited Financial Report for the NGO

## **Actual Spotcheck**

- Emphasis to be placed on establishing the existence of appropriate financial management systems and procedures, project management records and data that will substantiate claims from the NGO. Particular attention should be paid to the internal control systems in place that support the NGO's different systems.
- NGO personnel should assist accessing information on systems and records during the Spotcheck.
- Once the existence of appropriate systems has been established, examinations are to be undertaken of the NGO's supporting documentation relating to the specific claim/acquittal (purchase orders/invoices, time sheets, leave records, movement requisitions, or exchange rate calculations).
- RDE Spotcheck: The RDE Worksheet is the critical document for ANCP funding and is based on the organisation's most recent annual accounts. The CEO and the person who prepares them must sign RDE worksheets. One purpose of the Spotcheck is to verify documentation in support of RDE worksheets and confirm the accuracy and validity of the calculations submitted to AusAID.

## **Post Spotcheck**

- A draft report is to be completed within five working days of completing the on-site visit and provided to Manager NGO Programs, Community Programs Section AusAID.
- The draft report will be circulated to the Director AUDIT for consideration and clearance.
- The final report will include a certification from the Auditor on the validity of the findings. It will be the responsibility of Director Community Programs Section to circulate the finalised report to the NGO and all relevant areas of AusAID.