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Partner Audit and Follow Up

SCNN currently has over 35 partners with varying degree of competence and aptitude. Irrespective of the size and maturity level, all of them should have a minimum acceptable standard of financial and administrative routines being complied by them.

The donors who provide fund to us expect that their money should be used properly, economically and for improving the quality life of children. Among various means to verify that the money is being used as expected, one dependable method that they rely on is the auditing of accounts and the management letter. In this respect, Oslo auditors on their behalf send TOR, re below, to our auditors as a basis for checking and verifying expenses and books of accounts. Our auditors provide this TOR to partner auditors for its compliance. The former also uses it while doing SCNN and its field offices auditing and auditing of partners during their visit to them. Based on the scrutiny of accounts and other relevant records, auditors should produce audit report and the management letter containing a minimum of the following information.

- Details of findings and issues arising from the audit of the financial and administrative work/procedures.
- A specific conclusion that:
 - the project and administrative office financial statements submitted by partner organization present fairly the activities and status of the programmed operations during the year
 - the project and administrative Office financial statements are being maintained, and the activities of the project Offices operation are being conducted, in accordance with national laws, tax laws and regulation
 - "there are adequate internal controls over the key transactions streams which have been operating effectively during the year. Deficiencies for rectification as identified and pointed out have partner organizations' consent for follow up actions.
 - Status of compliance for rectification of deficiencies, i.e., whether fully complied, partially complied or not complied.

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Oslo has mandated to produce two reports, one interim report for the first six months and the other an annual report for the whole year. Accordingly, our partner organizations' auditors as well as our auditors' submit Oslo two reports for the country program and for the partners which in most cases contain their observations on deficiencies and recommendations for improvements of internal control system, importance of compliance of tax related matters, honoring of accepted norms and rules etc. Partners usually accept such recommendations and agree to carry them out.

Once these reports are received, it becomes the prime responsibility of the program staffs concerned to take appropriate actions in relation to different category of audit observations and partner commitment. The Finance Department should work as a watchdog, bell-ringer and as an executioner in 'disallowing expenses' by deducting the amount from the installment payments

The following actions should normally be taken promptly against the various categories of short comings/observations brought out by auditors in the report. It is not an exhaustive list and as such the program staffs together with the finance staff should put other observations under the nature of action deemed appropriate and take the necessary actions accordingly.

Actions to be taken in relation to Audit / Management Report

Nature of Action	Responsible	Category of Audit observations
Termination of Partnership	SMT on the feedback of Program/ Finance Director	If either or both audit & management report for the year is not received.
Disallow expenses incurred	Finance Department	i) going against our instruction if expensive items are used for training, e.g. pilot/cello pen/dot pens, diaries/spiral note books, costly files etc. ii) excess expenses/ expenditures without prior approval iii) expenses without supporting vouchers, especially related to suppliers' bills for procurements iv) exp of one budget line charged to another, e.g., purchase of carpet for office use charged to training budget

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Reminders/ Warning	Thematic Managers/Field based program officer with copy to TM	If items above certain level (usually Rs. 10,000) bought without quotation If transactions are not recorded in the books of accounts If renewal with CDO not done If income tax exemption certificate not obtained If no income tax deducted and the deducted tax not deposited in time If no community members are involved in procurement for school building and for such community related works
Withhold installment payment	POs/TM and Finance Department	If the following reports not received: <ul style="list-style-type: none"> • interim audit report • quarterly statement of accounts • if any of the above not implemented despite two reminders
Follow up of implementation	POs/TM and Finance Department separately and collectively	All recommendations of auditors that partners have committed to implement