



INTERNAL AUDIT

PROTOCOL FOR THE AUDIT OF GRANT FINANCIAL STATEMENTS

Purpose

To provide a protocol to enable grant financial statements to be reviewed by the Internal Audit Office in an efficient and effective manner. The protocol is relevant to Faculty and Departmental Managers, Client Services Accountants (CSAs) and other related parties (including Directors, Business Managers, Finance Managers and Administration Managers who oversee grants) involved in preparing grant financial statements.

Background

The University's Audit and Risk Committee signs off on the Annual Audit Plan in November for the following year, however, recently there has been a significant increase in the number of unplanned requests for audits of grant financial statements. This is having considerable resourcing issue on the Internal Audit Office and its ability to respond to these requests. This Protocol is to ensure that grant audit activities can be properly planned to minimize the impact on the achievement of the priorities set by Audit and Risk Committee in the Annual Audit Plan.

Responsibility

Heads of Departments, Departmental Managers and/or Directors of Centres and CSAs are responsible for ensuring that the protocol as stipulated below is followed and adhered to within agreed time frames.

Protocol

The following steps are to be taken in preparing for a future audit and to advise the Internal Audit Office of an impending audit:

1. Consideration of the financial management and reporting to a Funding Agency should occur at the time the grant application is prepared. This is particularly pertinent where 'in-kind' contributions are part of the terms of the contract. Particulars of the proposed in-kind contributions should be detailed and documented. This documentation can then be used to both prepare the in-kind contribution statements and support verification for audit purposes.
2. Where possible project costs should be charged directly to the project account. Where costs have been charged to other accounts and are transferred to the project account through a journal transfer, detailed supporting documentation must be maintained to support verification for audit purposes.
3. As part of the grant contract negotiations, where an Audit Opinion is to be a condition of the grant, consideration should be given in relation to the cost of providing the audit service. Steps should be taken to ensure that the cost of the audit service may be charged to the grant.

4. Immediately after the grant contract is signed and finalised, the Internal Audit Office needs to be informed via email mcgrath@unimelb.edu.au where an audit is required. A copy of the contract should be forwarded to Mr Peter McGrath, Director, Internal Audit.
5. When the grant audit deadline (as per contract) nears, the Internal Audit Office requires 4 weeks notice for the purpose of allocating staff resources. If inadequate notice is given, there is no guarantee that the grant audit can be completed within the nominated deadline as this Office may have other more pressing priorities.
6. Approximately 2 weeks should be allowed for the audit.
7. Before actual handover of financial statements for audit, Departmental Managers and/or Directors of Centres and CSAs must ensure that:
 - 7.1 The relevant parties, usually the Departmental Manager or Director of the Centre, or as specified otherwise by contract, sign off the grant financial statement.
 - 7.2 Full supporting documentation is available to support income and expenditure items in the statement, for example, the printout of Themis, or other reports if applicable and copies of AP vouchers with supporting invoices for significant amounts of expenditure. Other information required includes departmental numbers, project number etc.
 - 7.3 The financial statement and supporting documents are cross-referenced to expedite the audit review process.
 - 7.4 Contact details of relevant person if there are audit queries.
 - 7.5 A signed declaration is provided by the person overseeing the grant (usually identified in the contract) that all the expenditure has been

incurred for the purpose of the grant as stipulated in the grant contract. For example; "I hereby certify that the funds for (name of grant) have been expended in accordance with the agreement between (name of granting body) and the University of Melbourne."

7.6 With regard to salaries expenditure, a "Salary Analysis by Account – Employees" report to be run from Themis and certified by the person overseeing the grant to the effect that the staff listed worked on the project and the salaries amounts charged accurately reflect the percentage of time spent on the project.

7.7 If other universities, departments, government bodies etc are involved, all documentation to support transactions recorded in the grant statement is available. This may need to include separate audit opinions and/or signed certifications from these bodies.

7.8 'In-kind' statements are certified and amounts claimed are supported by appropriate documentation. An example of a certification: "I hereby certify that the In-kind contributions have been provided in accordance with the agreement between (name of granting body) and the University of Melbourne."

Examples of supporting documentation for items claimed:

- Equipment – a list of the actual items, their asset number, cost and the percentage used during the reporting period.
- Staff – a list of the names, salary and the percentage of time spent on the project during the reporting period. Quarterly time sheets signed by the staff certifying to the time spent are an additional support for this item, (refer Attachment A).

It is imperative that the above requirements are followed strictly to ensure audit work can be carried out efficiently in order to meet deadlines. This Office reserves the right to reject any documentation if it is deemed to be incomplete. It is not this Office's responsibility to ensure that all relevant documentation is available and in order.

8. For recurring grants and if there are material changes that impact on the audit of the grant, a copy of the amended contract needs to be forwarded to the Internal Audit Office.

9. If there are no changes for recurring audits, reference needs to be made to the previous audit work on the grant. There is no need for contracts to be forwarded to this Office for recurring work.

Peter McGrath
Director, Internal Audit

(PDF version of this brochure will be available on the Internal Audit web site.)

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