- Established a fraud risk profile (a register that identifies the risks, includes an assessment both of the impact and likelihood of each risk and identifies the internal controls/precautions which should be in place).
- Examined existing controls to ensure that they are adequate and decide whether more should be done to reduce the risk. Your aim is to get rid of the risk altogether or make all risks small. Internal controls can include some or all of the following:
    - segregation of duties: roles and functions should be divided at key stages of processes (authorisations and verification);
    - rotation of duties: sensitive posts/functions;
    - physical controls: assets register;
    - Authorisation: approved and separately countersigned by authorised signatories.
    - Supervision and periodic reconciliation: employees work should be subject to appropriate monitoring performance checks.
    - Effective recruitment procedures to reduce the risk of employing potential fraudsters.

Useful Contacts/Sources of Information:

Charities Branch,	Voluntary and Community Unit, DSD, Churchill House, Victoria Square, Belfast BT1 4SD, Tel 90569100
Community Change,	Philips House, York Street, Belfast, BT15 1AB Tel 028 9023 2587 www.communitychange-ni.org
NICVA,	61 Duncairn Gardens, Belfast BT15 2GB, Tel 028 9087 7777 www.nicva.org; www.grant-tracker.org www.communityni.org
NCVO,	Regents Wharf, 8 All Saints Street, London N1 9RL Tel 02077136161; www.ncvo-vol.org.uk
DSD Corporate Investigations Unit,	Lighthouse Building, Gasworks Business Park, Belfast BT1; Tel 028 9082 9207; www.dsdni.gov.uk/urb-reg/urban.asp
Charity Commission,	www.charity-commission.gov.uk/publications
Managing the Risk of Fraud,	A Guide for Managers www.hm-treasury.gov.uk/pub/html/docs /main.html
Management of Risk,	A Strategic Overview – HM Treasury, January 2001: www.hm-treasury.gov.uk/media//EC612 /orange-book.pdf
Public Interest Disclosure (NI) Order 1998	www.pcaw.co.uk (Public Concern at Work) www.legislation.hmso.gov.uk www.delni.gov.uk www.lra.org.uk

7 AUDIT

7.1 Introduction

This chapter aims to give a better understanding of the role and purpose of both internal and external audits. It also aims to examine what is expected from the voluntary and community sector.

7.2 External Audit

External Audit is concerned with the independent verification of the statements included within a set of Financial Accounts. In the Public Sector this role is normally undertaken by the NI Audit Office. In the Private Sector, commercial organisations are normally employed to undertake this task. In the Voluntary and Community Sector, arrangements for employing a set of independent accountants to certify annual accounts is a critical element of good governance arrangements. The recent Taskforce report makes specific reference to the guidance such as SORP which, where applicable, should be relevant to the type of certification undertaken by external audit. Reference has also been made to the ICAEW technical release on Public Sector Special Reporting Engagements as a way of giving assurances about the use of funding received. Increasingly the annual accounts will need to include signed statements by Organisational official/committee members which include reference to the accuracy of the figures presented but also assurances on the type of general and financial controls in place.

7.3 Internal Audit

It is acknowledged that the term "internal audit" may not have the same universal understanding in the current arrangements operated by Government within the sector. Nevertheless, well managed organisations will be able to demonstrate that they have as a minimum considering the conducting of independent reviews of financial control, building on the guidance already in place in relation to good practice for internal control / segregation of duties etc. For many organisations they will already have audit process in place.

"Internal Audit" is about providing an organisation's management or committee with an independent and unbiased opinion on the organisation's effectiveness in achieving its agreed objectives in relation to risk management, financial control and governance.

For each of the organisation's objectives, there will normally be a number of policies, procedures and operations in place. In relation to these, an "internal audit" function will:

- measure and evaluate the arrangements in place to achieve agreed objectives
- report findings, conclusions and, where appropriate, make recommendations for improvement

Where there is an effective "internal audit" function within an organisation, this can provide additional assurances to, and potentially reduce the review arrangements of, Central Government funders and external audit bodies.

In order to achieve this, many larger organisations will employ their own internal audit staff reporting directly to the Management Committee. It is acknowledged that, for smaller bodies, this may not be feasible; however the principles and benefits of an internal audit function should still be considered and may be carried out on a more proportionate basis.

7.4 Government Perspective

Each Government Department has a Departmental Accounting Officer (AO) who is personally responsible for all public monies under his or her control.

There is an Internal Audit Unit for each Government Department which provides the AO with an independent and objective opinion on:

- Risk management.
- Control.
- Governance.

In respect of the voluntary and community sector, this involves ensuring that public monies requested and granted to the sector are bona fide, can be fully accounted for, and are in line with departmental objectives.

7.5 Community Perspective

Each year the voluntary and community sector in Northern Ireland receives grant aid from government of around £200 million. The Northern Ireland Compact defines accountability as "...being answerable to all relevant stakeholders in relation to the propriety of policies, actions and use of resources". This is closely related to good governance (see chapter 2), and is critical to securing and maintaining public confidence in the voluntary and community sector.

Each community organisation has a responsibility for the appointment of their independent auditors. These auditors should provide an indication as to whether the controls that have been established within the organisation are working (or not). This however, does not abdicate the responsibility of the funding body from ensuring that all grants/funding paid is correctly spent in a bona fide manner.

7.6 Department for Social Development Auditors

In order to provide assurance to the AO, Internal Audit will review the Systems established to deliver funds to the voluntary and community sector in the Departments. Part of that review may necessitate visiting selected Groups.

7.7 Northern Ireland Audit Office

The Northern Ireland Audit Office (NIAO) is completely independent of government. The Comptroller and Auditor General for Northern Ireland (C&AG) is appointed by the Crown and is the head of NIAO.

The C&AG certifies the accounts and reports to Parliament and the Assembly on the economy, efficiency and effectiveness with which departments and other bodies have used their resources.

With regard to grant funding paid to the voluntary and community sector, NIAO examines the financial controls and monitoring procedures operated by all Government Departments, by IFBs and by the grant aided organisations. NIAO selects a sample of projects each year and reviews:

- Grant application processes.
- Monitoring arrangement.

This is to ensure the effectiveness and robustness of the systems, and to assure the Assembly that grant funding paid by the Department has been used as intended.

7.8 Approaches to Audit Visit

If a visit is required the lead auditor will meet with the management committee of the community group, and explain the procedure, including:

- How long the audit is likely to take.
- The staff involved in the audit visit.
- Start date.
- Establishing a contact point with the community group.
- The records/details to be audited will be advised to management.

The audit will conclude with a report being produced for the Department outlining the main findings and highlighting areas of weakness.

7.9 Audit Visit Checklist

The documents which are normally required for an audit will depend on the size of the community group, but will usually include:

- Constitution or Memorandum and Articles of Association of the Community Group.
- List of office bearers.
- Risk register and associated mitigation plans.
- Copy of the most recent Annual Accounts (audited).
- Copy of the most recent Annual report / activity report.
- Details of any independent reports that may have been performed.
- Business plan / strategy document (if applicable).
- Organisational chart.
- Details of management checking / control systems.
- In-house procedures for staff to follow.
- List of all current funders, amount and purpose of funding (including all Letters of Offer / Contracts for Funding).
- Details of all applications made for funding whether successful, rejected or current.
- Financial Records including -
  - Claim forms submitted to funders for payment.
  - Bank account details.
  - Bank statements.
  - Cheque books/cheque stubs.
  - Original invoices.
  - Tender documentation.
  - Petty cash books/receipts.

Please note this is not an exhaustive list

Useful Contacts/Sources of Information:

Northern Ireland Audit Office,	106 University Street, Belfast BT7 1EU, Tel 90251000 www.niauditoffice.gov.uk
NIAO Publication:	Investing in Partnership: Government Grants to Voluntary and Community Bodies May 2002
DSD Internal Audit,	Londonderry House, Chichester Street, Belfast, BT14HT, Tel 028 9025 2644
Community Change,	Tel 028 9023 2587 info@communitychange-ni.org www.communitychange-ni.or
Invest NI	www.investni.com/sub-bookkeeping.pdf
NICVA,	61 Duncairn Gardens, Belfast BT15 2GB, Tel 028 9087 7777 www.nicva.org; www.grant-tracker.org www.communityni.org
Cash On-line:	www.cash-online.org.uk
Community Accountancy Network:	www.communityaccountancynetwork.org.uk
Charity Finance Director's Group:	www.cfdg.org.uk
Charity Commission for Eng & Wales	www.charity-commission.gov.uk
Policy Unit, Central Procurement Directorate	Level 3, Causeway Exchange, 1-7, Bedford Street, Belfast BT2 7EG Tel: (028) 90823187 www.cpdni.gov.uk

8 MONITORING & EVALUATION

8.1 Introduction

Monitoring and evaluation is vital if government and voluntary and community organisations are to judge whether development efforts have succeeded or failed. The functions of monitoring and evaluating include:

- Guiding the progress of the project;
- Assuring that monies are properly spent, and that projects are carried out according to plan;
- Ensuring that goals/outcomes were achieved;
- Revisiting the appropriateness of goals/outcomes and plans in light of experience;
- Informing future development work; and
- Informing future funding.

Monitoring can be both a tool to assess the success of a particular programme or project, and act as a tool for organisational learning. Some people think all this gets in the way of getting on and doing the work, which can be true, but you want to be sure you are actually doing useful work effectively, and getting the most out of your limited resources. The main benefit of evaluation can often bring in a wider view and feed in stakeholders experiences, which helps you take a step back from the daily grind and reflect on developments.

This Chapter provides some guidance on good practice and in the Useful Contacts page details organisations that provide training, information and support on monitoring and evaluation.

8.2 Responsibilities of Government & the voluntary and community sector

Funding decisions should involve a judgement about the capability of the organisation to be funded. Whilst it may be appropriate to seek ways to enhance that capability, an assessment is required about the minimum competence required.

The Home Offices' "Funding: A Code of Good Practice"[7], jointly prepared with the voluntary and community sector, includes significant undertakings by the sector. These support a culture of accountability in the use and administration of public funds.

These commit the sector to:

- Clear and effective employment policies, management arrangements and procedures.
- Effective and proportionate systems for the management control, accountability, propriety and audit of finances.
- Compliance, by organisations that hold charitable status, with the Accounting Framework for Charities, and appropriate guidance from the Charity Commission, including on political activities and campaigning.

7. Home Office: A Code of Good Practice – www.homeoffice.gov.uk

- Systems for planning and implementing work programmes.
- Systems for monitoring and evaluating activities against agreed objectives.

All of the systems and checks above are proportionate to the size and nature of the organisation.

Before funding commences the funder and organisation should agree what is to be measured, what forms of monitoring are required and an agreed understanding of reporting procedures. This will provide the organisation with an agreed monitoring and evaluation framework.

8.3 Monitoring

Many voluntary and community sector organisations are familiar with describing what they do and identifying who they work with. You also need to identify the changes that come about from the work you do. There is no agreed terminology when it comes to monitoring and evaluating and for the purposes of this guidance we are referring to 'outcomes'. An outcome is the long term effect of your actions. (see 8.5).

Monitoring a project means gathering and recording all relevant data and information throughout the life of a project. Plan monitoring into the project/organisation from the start. You should take into consideration outcomes when you are planning your work, identifying the outcomes you want to bring about will help you decide what work you should do and what services and activities you need funding for. It will also help you plan, develop and improve your work.

It should also help you report back to the funder more effectively on how well your project is doing.

8.4 Evaluation

Evaluation of a project is broader in scope than monitoring. The results of an evaluation should summarise[8]:

- how effective the activity was in achieving its objectives, and why.
- its cost effectiveness; and
- what the results imply for future management or policy decisions.

  Evaluations use monitoring data and information to measure outputs of the project. The evaluation is concerned with both:

- quantitative outputs, and
- qualitative outputs.

Where objectives are quantified the measurement should be easily achieved. However, qualitative output measurement requires baseline data to be available. This often reflects changes in behaviour, attitude, and beliefs etc which are often considered to be 'softer outcomes'.

8. *Appraisal and Evaluation in Central Government, Treasury Guidance, 1997.*
NI Practical Guide to Economic Appraisal and Evaluation.

Funders often evaluate projects at the end of the project's funding period. However, many funding bodies and community groups now seek to have 'interim' evaluations carried out. These may be carried out by an external resource, or self-evaluation mechanisms in the organisation.

It can be useful in identifying gaps thus making the organisation more responsive to need and providing recommendations that can be implemented to help with the process of change. Interim evaluations (external source or self evaluation) can also be very useful in identifying examples of good practice that can be built upon within the lifespan of the project, and shared with other projects.

When it works well, evaluation that is widely owned within an organisation can provide a reflective framework as well as detailed monitoring mechanisms.

For Example:

A training programme, which was part of a larger funded initiative, had implemented an innovative delivery mechanism, which was very flexible and effective. When reported in an external interim evaluation, other programmes were able to replicate the model. The entire programme and the organisation's clients benefited from this.

In another case, a project had concentrated all its efforts in a limited geographical area. Once this was identified in an interim self-evaluation report, a strategic approach was adopted by the management committee to spread the programme, and thereby achieve the objectives by the end of the funding period.

8.5 What are outcomes?

Outcomes are all the changes and effects that happen as part of your work.

Inputs are the resources you put into your project to deliver its outputs. Inputs include time, funding etc.

Outputs are the services and facilities you deliver. Outputs include training courses, advice and publications.

Long-term change refers to the broader impact and relates to your overall aim. It can be difficult to assess long-term change in the lifetime of a short project.

For Example:

A Training organisation aims to develop the skills of management committee members by offering training and advice.

Input: *Staff, Budget, Promotion, Venue & Catering*

Output: *Training Session, One to One advice/support and Information Briefings*

Outcome: *That the committee members be more knowledgeable:*