

**THE ANNUAL NOT FOR PROFIT ORGANIZATIONS
FINANCIAL MANAGEMENT CONFERENCE**

THEME : FORTIFIED GOVERNANCE FOR EFFECTIVENESS

**SUBJECT : Single Audit Fundamentals Vs.
Traditional Financial Statement Audit Engagement**

**Presented By
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**DATE & VENUE:
WEDNESDAY 5TH TO FRIDAY 7TH NOVEMBER 2014
SAROVA WHITESANDS BEACH RESORT AND SPA MOMBASA**

SINGLE AUDIT FUNDAMENTALS – VS – TRADITIONAL FINANCIAL STATEMENT AUDIT ENGAGEMENT

Contents

- 1. Single Audits - Context and Relevance – Why?**
- 2. Key Terms Used**
- 3. Key Contrasts**

1. CONTEXT AND RELEVANCE – Why?

- a) Knowledge is critical to those who receive, manage or audit funds from American Government (Federal Funds) or may do so in future**
- b) American Government agencies through which federal funds are issued include:-**
 - **United States Agency for International Development (USAID)**
 - **Centres for Disease Control (CDC)**
 - **Office for Disaster Assistance (OFDA)**
- c) Extend boundaries of learning and equip ICPAK Members to deal with and differentiate between – various donor audit requirements in NPOs.**

2. KEY TERMS USED

a) Single Audit : An American Government Act first passed in 1984. Has been amended several times thereafter.

b) OMB : Office of Management and Budget

- **Duty : Reviews federal agency regulations and implementation of Circular, and provides interpretations of policy requirements and assistance to ensure uniform, effective and efficient implementation.**

3. KEY TERMS USED Contd.....

- c) OMB Circular No. A - 133 (A - 133 Audits) :
Applies to recipients of funds within the USA.**
- d) GAGAS : Generally Accepted Government
Auditing Standards**
- e) IFRS : International Financial Reporting
Standards**
- f) SEFA : Statement of Expenditure of Federal
Awards**
- g) OMB A – 122 Audits for non US Government
entities**

CONTEXT AND RELEVANCE – SINGLE AUDITS

- **Single Audits are needed when an entity expends US Government funds(either direct or indirect awards) in excess of \$500,000 in a fiscal year.**

Objectives of a Single Audit

- **To determine if the entity has complied with direct and material compliance requirements of each major program**
- **Used as a report card by US Government funding agencies and pass-through entities e.g. NPOs**
- **Gives comfort to readers regarding compliance and internal control over compliance**

Scope of Single Audits

- **Conducted in accordance with Generally Accepted Government (USA) Auditing Standards (GAGAS)**
- **Covers entire operations of the Subject entity**
- **Financial statements are presented fairly (in all respects)**
- **Adequate internal control structure**
- **Compliance with laws and regulations**

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- **Examples of Federal Awards – where Single Audits may apply :-**
 - **Grants**
 - **Contracts**
 - **Cooperative Agreements**
 - **Loans**
 - **Loan Guarantees**
 - **Property**
 - **Interest Subsidies**
 - **Insurance**
 - **Direct Appropriations**
 - **Endowments**
 - **Other Non-Cash Assistance**
 - **Indirect State or Local Government Transfers of Federal Funds**

3. KEY CONTRASTS

Fundamentals : Single audits - vs – Traditional financial statements audit

a. Who initiates the audit?

Single Audit Fundamentals	Traditional Financial Statement Audit Engagement
Funding body or the recipient (where there is a sub-recipient).	The governance and management of the NPO

b. Guiding Standards – Recipient

Single Audit Fundamentals	Traditional Financial Statement Audit Engagement
GAGAs, GAAPs and funding Agreements and Contracts.	GAGAs, GAAPs, donor policy and procedures manual and applicable IFRS.

c. Nature of Audit

Single Audit Fundamentals	Traditional Financial Statement Audit Engagement
Risk based audit concentrating on compliance, Schedule of Expenditure of Federal Awards and internal control check.	Risk based audit that checks whether the financial statements of an organization are fairly stated and are in agreement with the books of account.

d. When is the audit carried out?

Single Audit Fundamentals	Traditional Financial Statement Audit Engagement
When an entity expends federal awards (either direct or indirect awards) in excess of \$500,000 in their fiscal year.	Annually regardless of the level of expenditure.

e. Purpose of Audit

Single Audit Fundamentals	Traditional Financial Statement Audit Engagement
Accountability for the funds disbursed by the donor.	Statutory requirement for making annual returns to regulating bodies.

f. Guiding Standards in Audit

Single Audit Fundamentals	Traditional Financial Statement Audit Engagement
OMB Circular A-133 or OMB A-122	GAAPs, GAGAs and applicable IFRS

g. Audit Approach – Planning

Single Audit Fundamentals	Traditional Financial Statement Audit Engagement
Risk assessment at planning level, Review of funding agreements and reporting guidelines.	Risk assessment at planning stage

h. Areas to Review

Single Audit Fundamentals	Traditional Financial Statement Audit Engagement
Internal controls SEFA and compliance with agreements, and relevant regulations and laws	Internal controls and financial procedures and practices.

i. Reports Produced

Single Audit Fundamentals	Traditional Financial Statement Audit Engagement
Report with opinion on financial statements, compliance and internal control reports.	General purpose financial statements with one audit opinion piece and management letter.



“Single Audit Fundamentals Vs. Traditional Financial Statement Audit Engagement”

Thank You !

❁ *Questions / Comments ?*

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