

# COMMON TRENDS IN AUDIT OF NPO's

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# Common trends in audit of NPO's



- ☐ Demand for higher accountability
- ☐ Standardization of financial reporting
- ☐ Political and economic disruptions
- ☐ Drive for efficiency
- ☐ Value for money, performance audits and impact assessment
- ☐ Technology
- ☐ Changing regulation

# Drive for higher accountability



- ❑ Demand for accountability by various stakeholders i.e. public, donors, regulatory authorities
  - Enhanced scrutiny of financial statements and auditors' reports
  - Enhanced media coverage of financial malpractices/overtures

# Drive for higher accountability



## ❑ This demands:

- Focus on building public trust
- Empowered finance teams
- Enhanced internal monitoring and governance structures e.g. build capacity of internal audit teams, board members

# Standardization of financial reporting



- ❑ Adoption of international financial reporting standards e.g. IFRS, IPSAS by public sector institutions and international NGOs
  - Uniformity of accounting standards applied
  - Comparability of financial reports against similar institutions and period to period
  - Enhanced efficiency in OAG audits
- ❑ This demands
  - Investment in capacity building

# Political and economic disruptions



- ❑ Effects of local politics on implementation of planned programmes/activities
- ❑ Effects of international politics e.g. Brexit, change in US funding priorities etc.
  - Slow down in programme implementation
  - Need for self sustenance as donor funding reduces

# Political and economic disruptions



## ❑ To result in:

- Rush to make up for time lost during the elongated electioneering period
- Adjustments to budgets

## ❑ This demands:

- Increased scepticism
- Involvement in budget realignments
- Innovation to lead to self sustenance

# Drive for efficiency



- ❑ Pooled donor funding in line with thematic areas
- ❑ Single audit vs. multiple audits to cater to different stakeholders
- ❑ Reduction in unrestricted funding
- ❑ This demands:
  - Clear identification of an organisations objectives
  - Investment in understanding various donor requirements



# Drive for efficiency



## ❑ This demands:

- Development of internal policies that address requirements of various donors funding the organisation
- Foresight during funding contract negotiations e.g. negotiating for indirect costs

# Value for money audits

- ❑ Enhanced interest in impact assessment
- ❑ This demands:
  - Economy, efficiency and effectiveness of use of funds

# Technology



- ❑ Change to more complex IT systems
- ❑ Lack of understanding of the IT environment in use in an organisation
- ❑ This demands:
  - Involvement of all stakeholders in selection of IT systems
  - Investment in efficient systems including data safekeeping

# Increased scrutiny by regulators



- ❑ Constantly changing regulations e.g. Tax laws, Companies Act, 2015, PBO Act etc.
- ❑ Results in
  - Non-compliance with relevant legal regulatory framework
  - Penalties due to non compliance
- ❑ This demands:
  - Dedicated resources or specific internal systems to ensure compliance with applicable regulation

# Increased scrutiny by regulators



## □ This demands:

- Investment in training
- Consideration for alternatives means to ensure compliance e.g. outsourcing certain functionalities

# My challenge to you



- ❑ Break down silo approach to operations of your organisations
- ❑ Change in mind set of our role as finance teams in NPOs
- ❑ Investment in capacity
- ❑ Forward thinking i.e. anticipate disruptions and be ready
- ❑ Aim for personal pride in a job well done

# Interactive Session

