

## Information on Audits in EKFS Projects

- All **humanitarian aid projects** financed by the EKFS must be audited once during their term by an external, local audit company regarding the financial use of project funds. The costs of this financial audit are borne by the applicant organization (grant recipient); sufficient funds must be allocated for this purpose in the project budget under the categories “own contribution” or “co-financing.”
- The **financial audit** is conducted independently and in addition to the contractually stipulated 12-month reporting obligations to the EKFS.
- The **purpose of this audit** is to ensure that the funds provided by the EKFS to the local partner for the achievement of the project objectives are used in accordance with the contract and in an economical manner. For this reason, the audit should focus solely on the local partner's accounting and financial administration. A qualitative analysis of the project's progress and the achievement of the project objectives will be examined in a separate content evaluation carried out by an independent external expert, commissioned and financed by the EKFS.
- The **subject of the audit** and thus the expenditure to be reviewed are the amounts transferred by the grant recipient to the local partner for the project funded by the EKFS and converted into local currency, as well as the material resources used, which were spent or used locally to achieve the project objectives. The grant recipient's own contribution in Europe or co-financing from other donors are not subject to this audit.
- The **period covered by the audit** should encompass at least the first half of the project duration. The audit report must be sent to the EKFS no later than the beginning of the final contract year.
- The **selection of the audit company** is the responsibility of the EKFS contractual partner in consultation with its local partner. The audit firm should be a subsidiary of an internationally active audit firm or at least have experience in an international context and in the use of subsidies by non-profit organizations. A statement on the independence of the auditor is part of the audit report. The audit firm must be free of any business, financial, or personal ties to the organization being audited or its representatives. When making the selection, either the local German embassy or the international NGOs working in the respective country can be contacted, as they usually have lists of national audit firms with which they have had positive experience.
- In addition to the **audit opinion** on the EKFS funds spent (see above), the audit results should enable the audit firm to assess whether the internal control system established in the local partner's financial administration is sufficient to ensure that project funds are used properly and in accordance with the contract.

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- If the **annual financial statements** of the local partner organization are regularly audited by local auditors in the country due to internal or national regulations, we request that these audit reports be sent to EKFS unsolicited during the project period.

### Questionnaire

The report on a financial audit in an EKFS project should include answers to the following questions, among others

- 1) Were the funds provided by the EKFS used in accordance with the contract and in an economical manner?
- 2) Were any abnormalities detected during the audit, and if so, what were they?
- 3) Where was the audit conducted?
- 4) Is the accounting done by the partner themselves or by an external service provider?
- 5) Does the local partner have internal work instructions, regulations or guidelines for accounting and financial administration? If so, which ones?
- 6) Does the partner have an internal control system for accounting and financial administration, and does it function satisfactorily?
- 7) Is a standardized accounting program used? If so, which one?
- 8) Is accounting conducted on a cash or accrual basis?
- 9) Were all documents for the reporting period audited, or only random samples?
- 10) Were any additional reports on the results of the audit prepared in addition to the audit report, such as a management letter? If so, which ones?
- 11) Are the salaries paid by the local partner appropriate for the area of responsibility, region, and function in comparison with other NGOs in the area?
- 12) Are the staff financed by the EKFS also financed in whole or in part by other donors (exclusion of double financing)?
- 13) Are purchased goods inventoried above a certain amount? If so, above what amount?

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- 14) Did the local partner earn interest income from the funds received from the EKFS?  
If so, was this income used for project activities?
  
- 15) Did the exchange of EKFS funds generate currency gains in the country? If so, were these used for project activities?