

**VI Guide for**  
**External Audit Procedures**  
**in Grant Assistance for Japanese NGO Projects**

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**Ministry of Foreign Affairs**  
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# Guide for External Audit Procedures for Grant Assistance for Japanese NGO Projects

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## Note

Several key terms are used only in the framework of the Grant Assistance without being defined as technical terms. In order to avoid confusing these terms with technical ones, they have been given in quotation marks, “ ”.

## Terminology

### **“External Audit”**

External audits usually refer to accounting audits or legal audits. However, “external audits” of the Grant Assistance cover a wide sphere outside that of accounting audits, including surveys and so on, and are hence a specifically defined term for the Grant Assistance.

### **“Internal Controls”**

“Internal Controls” here means operational and organizational structures employed to minimize errors and improprieties in accounting. It covers, for example, regular ledger-balance cross-checking and verification of petty cash stored in the office by someone other than the person in charge, or division of the roles for cross-checking of orders and receipts for payment of goods purchased and approving such payments, and setting up an internal auditing system. Such internal controls cannot be decided upon unilaterally, but require individual consideration for the scale of the organization and the activities involved.

\*Internal Control Capacity - general term for checking functions in place in organizations to prevent accounting errors or improprieties occurring (accounting management systems, asset management / conservation systems etc).

### **“Survey/Advisor Service Instructions”**

“Survey/Advisor Service Instructions” is a form whereby the NGO instructs the commissioned CPA or auditing corporation the services required in detail. It is applicable when the NGO chooses the “Survey/Advisor Service” as the External Audit option (see page 4 for explanation).

### **“Project Site Visit”**

The staff of the commissioned CPA or auditing corporation visits the project site. In principle, the staff visits the project site once shortly after the completion of the project to view the results of the project as part of performing the External Audit. The “Project Site Visit” may be carried out during the project as necessary.

When the NGO chooses the “External Accounting Audit” option and a Japanese CPA or auditing corporation conducts the operation, the NGO is able to commission the “Project Site Visit” component to a local CPA or auditing corporation. “Project Site Visit” is mandatory both in the “Accounting Audit” and the “Survey/Advisor Service” options.

A NGO is required to consult with the diplomatic establishment abroad (or with the Ministry of Foreign Affairs) when the commissioned CPA or auditing corporation finds particular reasons that make them unable to perform a Project Site Visit.

## 1. Purpose

The purposes of implementing this external audit are as follows.

(1) Ensuring accountability to the Japanese public by verifying the appropriate use of the funds granted by the Grant Assistance.

Ensuring appropriate use of funds is clearly “the purpose of an external audit”. In addition, the “Project Site Visit” is mandatory as a way to verify the appropriate use of the funds.

(2) Improving the overall administrative capabilities and project implementation/ management capabilities (such as those of accounting) of NGOs receiving the Grant Assistance.

The accounting audit indicates flaws in accounting / operational areas as part of the auditing process. The same indications will be expected with the “Survey / Advisory Services” (see page 4 (2)). The indications are helpful in improving the capabilities of NGOs. In addition, it is hoped that greater attention will be paid to management operations and accounting in particular.

## 2. Audit Subject

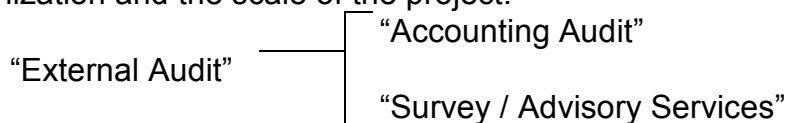
**All projects that have received funds through the Grant Assistance** are subject to the audit.

\*Project budget income and expenditure reports related to these projects are subject to the audit, while the financial statements of the overall NGO organization are not subject to the audit.

## 3. The Form of the External Audit and Outline

Generally “external audit” means “accounting audit” conducted by a certified public accountant or auditing corporation. In this Guide the “External audit” takes a form of either the “Accounting Audit” or the “Survey / Advisory Services”. “Project Site Visit” is mandatory both in the “Accounting audit” and the “Survey / Advisory Services” options.

A NGO is required to choose one of two forms contingent on the NGOs organization and the scale of the project.



### [Background]

*The forms of “External Audit” used in this system employ both that of the “Accounting Audit” and the “Survey / Advisory Service.” The “Survey / Advisory Service” is a term defined for the Grant Assistance, not an established technical term, and its services are a new concept. The background for the use of these new services rests on the following points that have been made clear by preliminary studies.*

- There are few cases of local NGO offices having sufficient accounting capabilities or internal controls to allow an “accounting audit”.*
- In consideration of cases where the “accounting audit” costs exceed the “external audit costs” provided through the Grant Assistance (around 5 - 10% of the contracted amount).*

*From these points, it was judged that it would be difficult to apply the “accounting audit” to all projects. However, to secure accountability and improve NGO capabilities and the relationship between costs and effects, it was decided to employ the “Survey / Advisory*

*Service” to fulfill advisory functions and to be a fixed check on the purpose of the grant.*

*Please refer to the “Survey / Advisory Service Instructions” (P11) for the further detail of these services.*

#### **(1) Accounting Audit**

(a) The accounting audit makes a statement on the validity of the financial statements (project budget income and expenditure report) on the assumption that internal controls are effectively in place and operating. The areas audited are as follows.

- Verification of financial records
- Verification of outgoing costs

“Accounting Audit” means a standard accounting audit. A certified public accountant (henceforth CPA) or an auditing corporation is required to express their opinion in the “accounting audit”, but they run the risk of a legal suit if misstatement of financial records is included in their opinion. Hence, detailed procedures are necessary when CPAs or auditing corporations conduct the “accounting audits”, resulting in high costs.

(b) When the “accounting audit” option is chosen, it is also necessary for the commissioned CPA or auditing corporation to visit the project site. When the NGO chooses “Accounting Audit” option and a Japanese CPA or auditing corporation conducts the operation, the NGO is able to commission the “Project Site Visit” component to a local CPA or auditing corporation. The NGO submits the “Accounting Audit” report and project site visit report from the CPA or auditing corporation to the diplomatic establishments abroad (or to the Ministry of Foreign Affairs (henceforth MOFA)). The details of the project site inspection are determined on the basis of the “Survey/Advisory Services Instructions” (P11).

#### **(2) Survey / Advisory Service**

(a) The “Survey / Advisory Service” is to be employed when the NGO cannot accept the accounting audit due to insufficient internal controls, or when the NGO has low internal control capabilities and the “accounting audit” would incur high costs.

(b) The “Survey / Advisory Service” consists of a “Survey / Report Service” held by CPAs or auditing corporations in regard to check items agreed on between the commissioning party (the NGO), and a CPA or auditing corporation-led “Consulting Service” to give expert advice for improving accounting operations.

A survey is taken for the following items agreed on between the CPA or auditing corporation and the commissioning party (the NGO), and the results will be summarized as the survey report.

- Verification of financial records
- Verification of outgoing costs
- Verification of procurement / purchasing of materials and equipment
- Verification of maintenance systems
- Verification of grant facilities / equipment

### Survey Service

The parties involved agree on procedures, then implement the survey on the procedures to report. The agreed-upon procedures include, for example, cross-checking of invoices, receipts and financial records for ten items with large sums disbursed. Other examples are given in the “Survey / Advisory Instructions”.

Agreement between the involved parties for the Grant Assistance follows the approval from the diplomatic establishments abroad (or MOFA) after review and decision by the NGO and the CPA or auditing corporation.

### Advisory Services

Along with the above mentioned survey, the CPA or auditing corporation is also required to give advices on accounting and internal controls to the NGO. This advice is not on the same level of management and organizational reform for private corporations, but is rather simple counseling from an accounting perspective on how to handle NGO accounting services and future surveys more smoothly. The “Survey / Advisory Service” differs from the “Accounting Audit” in having no expression of an overall judgment on the validity of financial documents such as the income and expenditure budget report. As the responsibilities for the CPA or auditing corporation are limited, it is possible to keep costs down in comparison with an ordinary “Accounting Audit”.

### 3. Selection of the “Accounting Audit” or “Survey / Advisory Services”

How should a NGO choose the form of the “External Audit”? Whether to choose the “Accounting Audit” or the “Survey / Advisory Service” depends largely upon the implementation / operating status of internal controls, including accounting, in the NGO, and the audit costs set by the diplomatic establishments abroad (or MOFA) out of the total project budget. After a decision is made between the CPA or auditing corporation and the NGO, approval is given by the diplomatic establishments abroad (or MOFA).

To examine the internal controls capabilities, the CPA or auditing corporation will make use of the “Internal Control Check List” (P10), which lists items to be checked before the operations begin.

Table 1: Forms of the “External Audit”

	“Accounting Audit” Selected	“Survey / Advisory Service” Selected
Areas covered in the Accounting Audit	<ul style="list-style-type: none"><li>●Verification of financial records</li><li>●Verification of outgoing costs</li></ul>	Not applicable, as this is not an accounting audit
Areas covered by the External Audit	<ul style="list-style-type: none"><li>●Project Site Visit</li></ul>	<ul style="list-style-type: none"><li>●Verification of financial records</li><li>●Verification of outgoing costs</li><li>●Verification of procurement/purchasing of materials and equipment</li><li>●Verification of grant facilities / equipment (Including the Project</li></ul>

		Site Visit)
Types of reports	<ul style="list-style-type: none"> <li>●Audit Report</li> <li>●Project Budget Income and Expenditure report</li> <li>●Project Site Visit Report</li> </ul>	<ul style="list-style-type: none"> <li>●Survey Service Report Summary of the Auditor's Survey</li> <li>●Advisory Service Report Summary of the Auditor's Advices on accounting, internal controls, and others to the NGO and subsequent answers from the NGO</li> <li>●Project Budget Income and Expenditure Form a comparative balance between the planned budgetary expenses and the actual expenses according to the budget items in the Grant Assistance contract. Refer to an example on page 13.</li> <li>●Project Site Visit Report</li> </ul>

#### 4. Operating Procedures (All Procedures)

##### <Pre-Application Stage 1>

##### **(1) External Audit Explanation by the Diplomatic Establishments Abroad (or MOFA)**

On application for the Grant Assistance, the diplomatic establishments abroad (or MOFA) explain the "External Audit" and suggest approximations of the auditing fees matching the scale of the project budget. The audit costs may be included in the Grant Assistance application amount as 5-10% of the contracted amount of the project costs.

The outline of the auditing fees mentioned here means the external auditing fees grantable within the limits of the Grant Assistance. Thus, the NGO needs to review what sort of "External Audit" operations are viable within the limits of the amount outlined with the CPA / auditing corporation. The following measures can be used to reduce costs:

1. Receiving cost estimate(s) from CPA or auditing corporation
2. Changing from an "Accounting Audit" to the "Survey / Advisory Service"
3. Reviewing the "Survey / Advisory Service" procedures

##### <Pre-Application Stage 2>

##### **(2) Selection of the Auditing Corporation**

(a) The NGO (in the case of a consortium of NGOs, this means the prime contracting NGO) selects the CPA or auditing corporation. The NGOs are recommended to take cost estimates from multiple sources to save the cost.

- (b) CPAs or auditing corporations eligible for selection shall be in principle those with qualifications for the developing country where the project is in operation.
- (c) If no appropriate CPA or auditing corporation can be found, the following procedures are to be taken in contact with the diplomatic establishments abroad (or MOFA) and in consideration of the costs involved.
  - Consider commissioning an auditing corporation in a neighboring country.
  - Consider commissioning a Japanese CPA or auditing corporation, with regard to the budget scale of the project.

#### <Pre-Application Stage 3>

##### **(3) Decision on the Form of External Audit**

The NGO submits the “Internal Control Check List” along with an outline of the project to the CPA or auditing corporation. After receiving the CPA or auditing corporation’s advice the NGO chooses either the “Accounting Audit” or the “Survey / Advisory Service”. Then the NGO seeks final approval on the external audit option from the diplomatic establishments abroad (or MOFA).

#### <Pre-Application Stage 4>

##### **(4) Acquisition of Cost Estimate**

- (a) When the NGO has chosen the “Accounting Audit” option, the NGO requests a cost estimate for the service from the CPA or auditing corporation.
- (b) When the NGO has chosen the “Survey / Advisory Service” options, the NGO requests a final cost estimate for the service from the CPA or auditing corporation. “Survey / Advisory Service” by submitting the “Survey / Advisory Service Instructions” (Page 11)(an example of the Instruction is shown in Appendix 2).
- (c) In both options, travel expenses to the project site should be included.
- (d) The NGO can also conduct the External Audit for the head office project expenses in Japan by a Japanese CPA or auditing corporation.

#### <Application Stage>

##### **(5) Application for the Grant Assistance**

The NGO creates the Grant Assistance application and submits it with the External Audit costs estimate to the diplomatic establishments abroad (or MOFA).

#### <Project Beginning Stage>

##### **(6) Contract with the Auditing Corporation**

- (a) After the Grant Assistance contract is concluded between the NGO and the diplomatic establishments abroad (or MOFA), an agreement is also swiftly concluded with the chosen CPA or auditing corporation. (The authorized signatory for the contract with the CPA or auditing corporation shall be in principle a representative of the NGO’s local office or of the head office).
- (b) After conclusion of the contract, a copy is submitted to the diplomatic establishments abroad (or MOFA).
- (c) At the same time the NGO requests the CPA or auditing corporation to create a detailed auditing plan.

The auditing operation agreement is concluded between the NGO and the CPA or auditing corporation. The diplomatic establishments abroad (or MOFA)



are not involved.

In the case of the “Survey / Advisory Service,” the “First Visit” of the CPA or auditing corporation will be made immediately after the conclusion of the agreement (refer to the “Survey / Advisor Service Instructions”). The NGO explains the status of the accounting and internal controls and takes the CPA / auditing corporation’s advices, as part of the survey, on areas of accounting and internal controls. At this time you should decide upon the contents of the survey program to be carried out by the CPA or auditing corporation, based on the “Survey / Advisory Services Instructions.”

<Project Operations and After Completion Stage>

**(7) Implementation of External Audit**

(a) The NGO’s Part

The NGO creates accounting books and ledgers on daily transactions, and keeps receipts and invoices. The NGO is required to assign an accounting officer.

(a) The CPA or Auditing Corporation’s Part

The CPA or auditing corporation conducts “External Accounting Audit” or the “Survey / Advisory Service” while the project in process or soon after the completion of the project. If there are parts of the auditing procedure that are infeasible, report of such should be made to the NGO and the diplomatic establishments abroad (or MOFA).

<Project Completion Stage>

**(8) Report Submission**

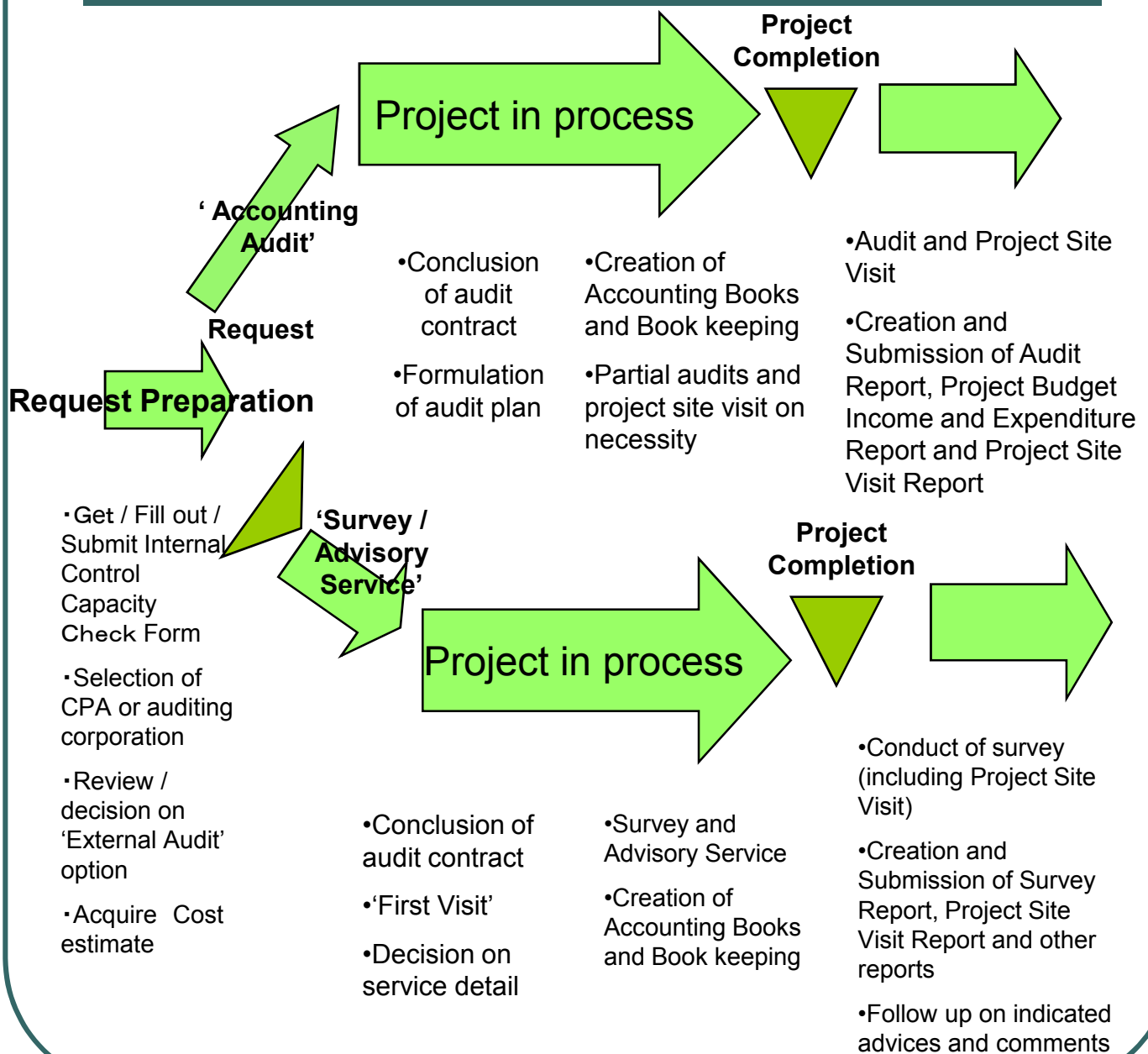
The CPA or auditing corporation submits the “External Accounting Audit” report or “Survey / Advisory Service,” report along with other reports to the client NGO. The NGO conveys the report to the diplomatic establishments abroad (or MOFA). (For details, refer to table on page 5).

<Post-Completion of Project>

**(9) Report Follow-up**

If inappropriate outgoings are reported in a report of “External Audit,” the diplomatic establishments abroad (or MOFA) may make a claim for the return of the funds under terms of the grant contract of the Grant Assistance. The NGO is required to quickly respond to the questions indicated in the audit report or survey report.

# 'External Audit' Schedule



## NGO Internal Control Capability Check List

1 Accounting management systems		
1	Do you have regularized ledger management and financial systems?	<p>List the names of the account books in use (e.g., general ledger, bank deposit ledger ...)</p> <p>If Yes → Also check as to whether accounting is by vouchers or by EDP (Electronic Data Processing)</p> <p>If No → Will they be created or introduced in future?                      • If there are plans for the future, check them                      • If there are no plans for the future → if there are valid reasons for not having them, check them at the right.</p>
2	What accounting procedures do you use in 1 above?	(E.g., international accounting standards or local ones...)
3	Do you set procedures for creating invoices, passing them to a specified executive with the voucher documents and recording / calculating them correctly after approval?	<p>If Yes → Check an organizational chart.</p> <p>If No → Ask why this is not done or if there are future plans.</p>
4	Do you keep all accounting records appropriately for a proper period?	<p>If Yes → Ask how long they are kept.</p> <p>If No → Ask why this is not done or if there are future plans.</p>
2. Asset Management/ Maintenance Systems		
1	Do you record a consistent asset transactions including cash deposits etc?	<p>If Yes → Check the account book names</p> <p>If No → Ask why this is not done or if there are future plans.</p>
2	Do you regularly check the assets including cash deposits and compare the results with ledger balances? If you found any discrepancies, do you search for the causes?	<p>If Yes → Check the asset items and frequency of checks</p> <p>If No → Ask why this is not done or if there are future plans.</p>
3	Do you keep the check and receipt forms appropriately?	If No → Ask why this is not done or if there are future plans.
4	Are the above procedures based on the written regulations?	<p>If Yes → Check the rules/regulations</p> <p>If No → Ask why this is not done or if there are future plans.</p>
3 Internal Check Systems		
1	Do you designate two or more staff to handle a set of jobs rather than one single staff so that the appropriateness and adequacy are automatically verified in the process of performing duties.	If No → Ask why this is not done or if there are future plans.
2	Do you regularly rotate job posts among your staff?	<p>If Yes → Check the frequency</p> <p>If No → Ask why this is not done or if there are future plans.</p>
3	Are employees given regular holidays and do other employees take over the duties of such employees.	If No → Check the reason
4 Internal Audits		
1	Is there an independent internal auditing department inside the NGO organization carrying out regular audits of the projects?	If No → Ask why this is not done or if there are future plans.
5 Reporting Systems		
1	Have you established a system for reports on how the funds are used to the NGO HQ and the MOFA?	If No → Ask why this is not done or if there are future plans.

# Survey / Advisory Service Instructions

<b>1 Cost Estimate</b>	
1	The Auditor understands the outline of Survey / Advisory Service through the NGO's explanation and the written material presented by the NGO.
2	The Auditor gives a cost estimate to include all services mentioned in these instructions. The estimate must include the travel expenses of a project site visits.
3	The Auditor soon concludes a contract by the request of the NGO.
<b>2 'First Visit' soon After the Contract</b>	
	The Auditor visits the NGO office soon after the conclusion of the contract for interviews and requests reference materials. The Auditor visits the project site as necessary. The Auditor gives advises on the accounting and internal controls in order to perform the Survey / advice services. The Auditor refer to the most recent report if the NGO has received a survey / advice on the Grant Assistance.
<b>3 While the Project is in Process</b>	
	The Auditor checks whether the NGO fulfilled the advices from the Auditor at the "First Visit" through interviews with the NGO, reference to the materials and a site visits as necessary. If the Auditor finds a situation where they are unable to continue the Service any further, for example if the ledger records have not been kept, the Auditor should report this situation to the diplomatic establishments abroad (or MOFA).
<b>4 Shortly after the Project Completion or partly during the Project</b>	
<b>Survey Services</b>	
<b>Check on Financial Records</b>	
	The Auditor checks the amount of cash in hand of the NGO with the bank account statements.
<b>Check on Expenditure</b>	
1	The Auditor compares the transaction records against the ledger for any important inconsistencies. The Auditor checks the transaction records with original vouchers on sampling bases or all if necessary. Important inconsistencies needing to be checked would be, for example, cases where expenditure outside of the Project Budget Income and Expenditure Form was found. The Auditor requests the NGO to provide reference materials on outgoing expenditures in Japan as necessary.
2	The Auditor checks specific expense items through interviews with relevant NGO staff and checks the expense items with original vouchers on sampling bases as necessary. Specific expense items include the following examples. In any cases, care must be taken to check for expenses outside of the project scope. The following points should be considered when conducting the check. <ul style="list-style-type: none"> <li>● Personnel costs <ul style="list-style-type: none"> <li>Staff employed for the project (including local manager) should be actually present.</li> <li>Salary tables showing staff payments and time sheets should exist and the payment should be made based on these.</li> </ul> </li> <li>● Travel costs <ul style="list-style-type: none"> <li>Trip reports and prior approval notes should be present for long term business trips and/or high travel expenses.</li> </ul> </li> </ul>

3	The Auditor checks whether the construction materials and equipment have been properly purchased as stated in the contracts by comparing vouchers against contracts on sampling bases as necessary. The Auditor may take for example, the ten highest-price cases and ten others at random. In any case, the sampling method is left to the auditor's discretion.
<b>Check on Construction Material / Equipment Procurement</b>	
1	The Auditor checks the volume or amount of the procured construction materials and equipment in stock as necessary.
2	The Auditor, through interviews with the relevant NGO staff, makes inquires with the NGO as to usage of the construction materials and equipment procured through interviews with the relevant NGO staff and checks these against original vouchers as necessary. The Auditor may take for example, the ten highest-price cases and ten others at random. In any case, sampling method is left to the auditor's discretion. Procured equipment to be checked could for example include the following: <ul style="list-style-type: none"> <li>●Supplies (including machine parts)</li> <li>●Computer / machine products</li> <li>●Vehicles</li> </ul>
<b>Project Site Visit</b>	
The Auditor visits the project site to view what results of the project are visible. If the results are not visible, the Auditor consult in advance with the NGO about a way to examine the results of the project. The Auditor is not required to examine the results of the project where expert knowledge would be needed for judgment.	
<b>Advisory Services</b>	
1	If large discrepancies are found in review of the Project Budget Income and Expenditure Report, the Auditor requires an explanation from the NGO.
2	The Auditor makes sure that the NGO's reports addressed to the MOFA are created based on a single, consistent and sequential ledger book system. The Auditor makes a calculation cross-check of the account values of the mid-term project report or the final project report addressed to the MOFA.
<b>Submission of Report</b>	
At the end of the Survey, the Auditor creates reports mentioned below and submits them to the NGO. *Survey Service Report The report corresponds to the survey tasks mentioned above. The Auditor is requested to note the survey items and methodology introduced for sampling, as well as any survey tasks that have been performed with concrete reasons. *Advisory Service Report The Auditor is requested to mention the auditor's advices on accounting, internal controls, and others to the NGO and subsequent answers from the NGO and auditor's comments on the NGO's reports addressed to MOFA if any. * Project Budget Income and Expenditure Report This is a comparative balance between the planned budgetary expenses and the actual expenses according to the budget items in the Grant Assistance contract. Refer to an example on page 12. * Project Site Visit Report	
If the Auditor has conducted the Survey / Advisory Service on the NGO office in the past, the Auditor submits a report on the advices and indications given to the NGO and subsequent improvements achieved by the NGO to the diplomatic establishments abroad (or MOFA) .	

## 事業予算収支報告書(例)

団体名 ○△×

○○プロジェクト 予算収支報告書(注)

自 平成××年×月×日 至 平成××年×月×日

	予算額	決算額	差異	備考
<b>【収入の部】</b>				
連携無償収入	10,412,600	10,412,600	0	
<b>【支出の部】</b>				
<b>1. 現地事業実施経費</b>	9,402,600	9,298,200	104,400	
(1) 現地事業費	7,944,600	7,840,200	104,400	
(イ) 資機材・施設・役務の調達経費	7,073,000	6,973,000	100,000	
・診療所建設費	2,450,000	2,350,000	100,000	
・医療用器材費	598,000	598,000	0	
診察用寝台	252,000	252,000	0	
検査用機器	346,000	346,000	0	
・車両費	4,025,000	4,025,000	0	
患者搬送用車両	3,540,000	3,540,000	0	
巡回指導用オートバイ	485,000	485,000	0	
(ロ) 会議セミナー等開催費	397,600	393,200	4,400	
(ハ) 専門家派遣費	474,000	474,000	0	
・航空券代	346,000	346,000	0	
・日当及び宿泊費	128,000	128,000	0	
(ニ) 専門家謝金	0	0	0	
(2) 事業管理費	1,458,000	1,458,000	0	
(イ) 現地スタッフ人件費・雇用費	1,078,000	1,078,000	0	
医師及び看護婦	842,000	842,000	0	
事務職員	236,000	236,000	0	
(ロ) 現地事務所借料(光熱・水道料)	180,000	180,000	0	
臨時事務所賃借料	180,000	180,000	0	
(ハ) 機材借料・修理費	50,000	50,000	0	
(ニ) 通信費	50,000	50,000	0	
(ホ) 旅費・移動費(車両借料)	100,000	100,000	0	
<b>2. 本部事業実施経費</b>	610,000	610,000	0	
(1) 本部スタッフ人件費	450,000	450,000	0	
現地プロジェクト調整員	300,000	300,000	0	
プロジェクト担当職員	150,000	150,000	0	
(2) 会議費(会場借料、旅費、講師招聘料)	100,000	100,000	0	
(3) 機材借料・修理費	30,000	30,000	0	
(4) 雑費(事務用品購入費)	30,000	30,000	0	
<b>3. 外部監査費</b>	400,000	390,000	10,000	
支出合計	10,412,600	10,298,200	114,400	
収支差額	0	114,400		

注) 本例は医療支援案件を前提として作成されたものであり、具体的な費目は個々の案件により異なります。

## Grant Assistance for Japanese NGO Projects Q&A

Q1 The guidelines mention Certified Public Accountants or auditing corporations, does this include accounting firms?

The Certified Public Accountants or auditing corporations mentioned in the guidelines refer to groups or individuals with auditing qualifications, including certified public accountants, auditing corporations and accounting firms etc. The meaning is not limited to only specifically Certified Public Accountants or auditing corporations.

Q2 How should I search for a local CPA or auditing corporation?

One way would be to search on the Internet for large international accounting firm homepages. Or, you could ask European or American NGOs, which often have experience of audits.

Q3 What should I be careful of when selecting a CPA or auditing corporation?

If you request the services of a large accounting firm, the cost tends to be expensive. Of course, the quality of the audit should also be quite good. Consideration should also be given to accounting firms with a past history of auditing NGOs.

Q4 Are there any special preparations to make for an audit?

It is important to have records and reference materials available. If there are no such documents neither an audit or survey can be made. Records should be kept without fail of monetary transactions, with the numbers of receipts and invoices kept track of as documentation, to allow for easy checking. For details consult with the CPA or auditing corporation before concluding the contract.

Q5 I have heard that simply making an inquiry to a CPA or auditing corporation will cost money.

Usually no fee is charged for simple inquiries, but we recommend you check in advance from what point fees will begin to be charged.

Q6 Our organization has an audit on overall organizational activities every year.

The Grant Assistance external audit is focused on projects. In general project audits have more detailed checks than organizational audits. Hence organizational audits cannot be a substitute here.

Q7 Would it be possible for the accountant in charge of the organizational audit to make a project audit?

The audits are in principle conducted on-site (in the project country). This is basically because the receipts and other documents should be stored locally. They are also usually written in the local language. However, the NGO also is able to commission a Japan CPA or auditing corporation to conduct the service in a case the contract of the Grant Assistance is concluded between the NGO and MOFA in Japan. In this case the NGO is able to commission the 'Project Site Visit' patron to a local CPA or Auditing corporation.

- Q8 Our organization's secretary is a CPA, can an audit by such a member substitute for the Grant Assistance?
- No. This would not be an external audit because of the lack of independence. An independent third party is necessary to conduct the audit.
- Q9 In our office in the project country an audit on all the office activities is carried out each year.
- As mentioned in Q6, the audits have a different focus, for organizations or for the project. However, if organizational-focused audits are already being received, the CPA or auditing corporation can be asked to perform the external audit, bringing costs down.
- Q10 The project site is in a remote area, just the travel expenses alone make the audit expensive.
- Consult with the diplomatic establishments abroad (or with the MOFA). Review can be made for alternatives such as confirmation of materials procurement and purchasing.
- Q11 We are engaged in emergency humanitarian support, so obtaining materials such as receipts is difficult.
- In principle emergency humanitarian support projects still require audits the same as development cooperation projects, so make sure to regularly receive receipts. If you cannot receive any materials please ask the diplomatic establishments abroad (or the MOFA).
- Q12 Where will the audit take place?
- Audits usually take place where the ledgers and materials such as receipts are stored. Hence, it is necessary if there are several offices in the country in question to specify where accounting takes place.
- Q13 Is it necessary to get audit estimates from multiple CPAs or auditing corporations?
- It is not absolutely necessary to get several estimates. However, if you have never received an audit before, it is possible to compare the quality of service and fees by asking for estimates from several CPAs or auditing corporations.
- Q14 Will the improvement status of areas indicated in the audit or survey report have an effect on future applications?
- The areas indicated will be decided upon after consultation between the NGO and the CPA or auditing corporation, so totally irrelevant items shouldn't be included. Based on this fact, if no improvement is seen over an extended period of time with no good reason, this may have an effect on future applications.
- Q15 Do the audit or survey report have to be translated into Japanese?
- The reports should be made in English or Japanese.
- Q16 An audit has already been made of the project in the country in question, is it necessary to fill in the Internal Control Capability Survey Form?
- No, it is not.  
Please conduct an external accounting audit



- Q17 Are there any limitations on the accounting standards?
- In principle either Japanese or local accounting standards can be used. There is no need to force the use of Japanese standards. However, if the local accounting standards differ from international ones, this should be noted on the reports.
- Q18 In the 'Form of Audit and Outline' on p2, 'verification of outgoing costs' is written, does this include both project expenses on-site and expenses in the main office in Japan?
- Yes. Include both.
- Q19 The project implementation period is one year from the contracting day, is the audit also to be conducted for one year?
- No. Not including the audit, the project implementation period is at the most one year. The audit must be carried out immediately after the project is finished and a report submitted to the diplomatic offices (or MOFA). If due to circumstances the audit has to be delayed, notify the diplomatic offices (or MOFA)
- Q20 Are advance survey expenses covered by the Grant Assistance?
- Advance survey expenses are not covered.
- Q21 How should local staff employment costs be recorded?
- Local staff employment fees recordable for the Grant Assistance can only include personnel fees for staff involved with the project applied for (the personnel expenses of local staff employed previously or working on office work are not recordable). These employment fees can be recorded based on the employment contract as necessary.
- Q22 How should the main office staff personnel expenses related to the project implementation be recorded? What range of people and expenses breakdown are able to be included in these personnel expenses?
- The personnel expenses of main office staff should be recorded based on the number of hours worked on this project and the monthly wages of those main office staff involved with the project. In principle a representative organizational member or director are not recognized as someone involved with the project.
- Q23 If estimates cannot be obtained, what should be done?
- The reason why estimates cannot be obtained or third party estimates received should be noted down.
- Q24 Can non-corporate NGOs participate in the Grant Assistance?
- NGOs in the NGO Partnership Program can participate by being in charge of some projects that have been applied for
- Q25 What should be done for audits in areas where there are no auditing corporations?
- Third parties with no interest in the project concerned such as other NGOs active in the same region or government-related persons may be asked to give an audit. Or, a CPA or auditing corporation from Japan may be requested.
- Q26 Where can I receive a copy of the Grant Assistance application form?
- It can be obtained at the Ministry of Foreign Affairs homepage.