



SELART INTERNATIONAL EDUCATION AND RESEARCH GROUP

Procedure for Financial Audit of Each Selart International Education and Research Group (SIERG) Member Institution

1. GENERAL PROVISIONS

1.1 The financial auditing process ensures that the financial statements and financial position of each member institution of the SELART International Education and Research Group (SIERG) are accurate, complete, and compliant with applicable accounting standards, laws, and internal policies. This procedure outlines the structured steps for conducting financial audits within SIERG member institutions.

1.2 The primary objectives of the financial audit are to ensure financial transparency and accountability, assess compliance with applicable financial laws, regulations, and SIERG financial policies, verify the accuracy and completeness of financial records and statements, and identify and mitigate risks of financial mismanagement, fraud, or material errors.

1.3 Prior audit reports must be collected and reviewed in preparation for the current audit. This review helps track whether the institution has implemented corrective measures recommended in previous audits and identifies any recurring issues or patterns that require attention.

1.4 The selection of qualified auditors is essential to ensure the credibility and quality of the audit. The audit team should include professionals with expertise in financial auditing in higher education and research institutions, as well as representatives of the Management/Steering Committee of SIERG. Roles and responsibilities must be clearly defined within the team to ensure effective coordination.

1.5 The member institution must be formally notified of the upcoming audit. This notification must include the scope, objectives, and schedule of the audit, as well as a list of required documentation such as annual financial statements, tax filings, contracts and agreements, and internal financial policies and procedures.

1.6 An initial risk assessment should be conducted to evaluate the institution's financial background, operational complexity, and any indicators of financial anomalies such as sudden revenue or expenditure fluctuations. The risk assessment helps determine key focus areas for the audit and guides the audit team in planning appropriate procedures.

1.7 This procedure is approved and may be amended by the SELART International Education and Research Group (SIERG). It applies to all educational institutions that are full members of the group.

1.8 As part of the continuous improvement process in education and governance, this procedure is subject to revision. All SIERG member institutions will be promptly notified of any changes.

2. PLANNING PHASE

2.1 A meeting with key personnel, including finance officers, management, and accounting department representatives, should be held to gain an understanding of the institution's financial processes and internal controls. This meeting provides an opportunity to discuss significant financial activities, challenges, and developments since the previous audit, while also establishing a cooperative and transparent audit environment.

2.2 The scope of the audit should be clearly defined to include the specific financial periods to be covered, the key areas to be audited, and the particular records, processes, or departments to be reviewed. Areas such as revenue, expenditures, and compliance with grant funding should be included in the scope, depending on the institution's financial structure and activities.

2.3 The auditing methodology should be determined in advance and should incorporate both substantive testing and control testing. Substantive testing involves verifying the accuracy and completeness of financial transactions, while control testing assesses the effectiveness of internal controls over financial reporting and identifies any weaknesses or inefficiencies that could impact the reliability of the financial statements.

2.4 A comprehensive audit timeline should be established, outlining specific deadlines for each phase of the audit process, including the preliminary review, fieldwork, and report preparation. Sufficient time must be allocated for addressing follow-up actions and for requesting any additional documentation or clarifications that may arise during the audit.

3. FIELDWORK PHASE

3.1 All relevant financial documentation must be gathered, including balance sheets, income statements, cash flow statements, general ledgers, trial balances, and supporting schedules. Bank statements, reconciliations, internal audit reports, tax filings, contracts with employees, consumers, and stakeholders, payroll records, and expenditure reports should also be collected to ensure a comprehensive review of the institution's financial activities.

3.2 During the fieldwork phase, detailed testing of financial transactions should be performed. This involves reviewing a representative sample of transactions to verify their accuracy and completeness. Each transaction should be confirmed as properly authorized, documented, and supported by legitimate invoices, receipts, or contracts. Cash balances should also be reconciled, and the institution's payment procedures should be reviewed to ensure compliance with internal policies.

3.3 The internal control systems should be assessed by testing various processes, such as the authorization procedures for revenue and expenditure transactions, segregation of duties to prevent fraud or error, the adequacy of accounting systems and software, and adherence to established financial policies and procedures.

3.4 A compliance test should be performed to verify the institution's adherence to legal and regulatory requirements, including tax laws, reporting obligations, and compliance with donor or grant funding terms and conditions. The audit should also assess adherence to accounting standards and review contracts and agreements to ensure they reflect proper financial reporting.

3.5 Interviews with relevant personnel, such as accountants, managers, and internal auditors, should be conducted to gather insights into the institution's financial processes and internal

controls. These discussions can also help identify any challenges or risks that may affect the institution's financial stability and the overall audit process.

4. POST-FIELDWORK PHASE

4.1 Once the fieldwork has been completed, the audit findings should be analyzed. This analysis should include an assessment of the effectiveness of the institution's financial management practices. Any discrepancies, misstatements, or areas of non-compliance with accounting standards or regulatory requirements should be identified. The strengths and weaknesses of the internal control systems should also be evaluated, with recommendations for improvement provided where necessary.

4.2 The audit report should be prepared in detail, including a clear outline of the audit scope, a summary of findings, and specific recommendations for addressing any identified issues. The final financial statements, including any adjustments made during the audit, should be attached to the report to provide a comprehensive overview of the institution's financial position.

4.3 A management letter should be prepared and submitted to the institution's leadership. This letter should describe key areas of concern, provide suggestions for improvements, and highlight best practices to enhance the institution's financial operations and internal controls.

4.4 The draft audit report should be shared with the institution's management for review and feedback. Any discrepancies, concerns, or requests for clarification should be discussed, and the institution should be given an opportunity to respond to the draft before the report is finalized.

5. FINALIZATION AND REPORTING

5.1 After incorporating management's responses to the audit findings, the final audit report should be prepared. This report must include all necessary supporting documents, such as financial statements, tax returns, compliance confirmations, and any proposed corrective action plans.

5.2 The final audit report should be presented to the institution's governing body or audit committee. Significant findings and recommendations should be clearly highlighted, and the required corrective actions should be discussed in detail, along with a proposed timeline for their implementation.

5.3 The institution's management should formally respond to the audit findings by outlining the specific corrective actions to be taken and the expected timeline for their resolution. This formal response should be incorporated into the final version of the audit report.

6. FOLLOW-UP AND MONITORING

6.1 A follow-up plan should be established to monitor the institution's progress in addressing the audit recommendations. This plan should include a schedule for reviewing the status of corrective actions, and ongoing support should be provided as needed to facilitate the successful implementation of improvements.

6.2 To promote a culture of continuous financial improvement, regular training programs should be provided to institutional staff on topics such as financial reporting, auditing practices, and regulatory compliance. In addition, periodic reviews and follow-up audits should be conducted to ensure ongoing adherence to financial standards and institutional policies.

7. REPORTING TO SIERG PRESIDENT AND BOARD MEMBERS

7.1 A summary of the audit findings for each member institution should be compiled and submitted to the leadership team of SIERG: President and Board Members. This summary should highlight any systemic financial issues across member institutions that may require centralized intervention or corrective measures.

7.2 The financial audit procedure for each member institution of the Selart International Education and Research Group (SIERG) ensures that the financial operations of the institutions are transparent, accurate, and compliant with relevant standards. By following this structured process, SIERG can maintain financial integrity, build trust with stakeholders, and promote effective financial governance across its network of member institutions.

Is approved by the Board of the SIERG SWITZERLAND
President of the Board of SIERG SWITZERLAND
Doctor, Professor Artur Vahani

(Signature)

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