Guideline: Management of Research and Other Externally Funded Projects Audits

1. Purpose

The purpose of this guideline is to provide a consistent framework for the planning, coordination, conduct, and management of audits of externally funded projects, ensuring compliance with funder requirements, grant agreements, applicable legislation, and institutional policies. The guideline promotes accountability and effective stewardship of external funds, standardises roles, responsibilities, and audit processes, facilitates efficient and timely audits, and supports accurate reporting and transparency. It further aims to use audit outcomes to strengthen internal controls and processes across faculties.

2. Scope

This guideline applies to all non-statutory audits of externally funded projects managed by the institution and involves the Faculty Finance Offices, the Central Research Finance (CRF) unit, external auditors, and Principal Investigators (PIs), where applicable.

3. Roles and Responsibilities

Note:
- *FM refers to the Faculty/PASS Finance Manager or any other delegated person in line with UCT DoA-GEN002.*
- *CRF Manager refers to this role, and or any other delegated person in line with the CRF organisational structure.*

3.1 Faculty Finance Manager (FM)

- Once a contract has been finalised by RC&I, the FM must review the reporting and audit requirements stipulated in the funding agreement.
- Where an audit is required, the FM must confirm the type and scope of audit and, if unclear, liaise with the funder to obtain written clarification.
- The FM is responsible for capturing all relevant project details on the Non-statutory Audit Schedule maintained in the Research Finance Management (RFM) channel on Microsoft Teams.
- For urgent audits or special audit requests, the FM must notify the CRF Manager immediately after capturing the details on the Schedule.
- The FM must ensure that auditors are provided with complete, accurate, and well-organised project documentation, including funder-specific templates and records relating to sub-awardees, where applicable.
- All audit requests for information received by the FM must be managed and fulfilled within agreed timelines.
- The FM must proactively notify the CRF Manager of any actual or anticipated issues that may affect the progress of the audit and is responsible for resolving disputes between auditors and faculty finance staff.
- Where resolution cannot be achieved, the matter must be escalated to the CRF Manager within two working days.
- The FM is required to attend audit kick-off and progress check-in meetings, provide updates, review the draft audit report, submit comments, and provide additional information to mitigate findings where possible.
- Upon receipt of the final audit report, the FM must review and submit the report to the PI and/or funder, as required.

- The FM must track the implementation of corrective action plans to ensure timely closure of audit findings and notify the CRF Manager once corrective actions have been completed.

3.2 Central Research Finance (CRF) Manager

- The CRF Manager is responsible for liaising with external auditors regarding audit fees and confirming, in consultation with the FM, the availability of project funds to cover audit costs.
- The CRF Manager coordinates audit kick-off meetings and periodic progress check-ins between auditors and faculty finance teams and serves as the primary institutional liaison with auditors on all matters relating to the Engagement Letter (EL).
- The CRF Manager reviews the EL, incorporates input from the FM, and submits the EL to the Director: Financial Accounting for review and onward sign-off by the CFO.
- The CRF Manager ensures that final audit reports are stored in a central repository within the RFM channel and, where applicable, discusses audit findings and corrective action plans with the FM.
- The CRF Manager consolidates audit findings, corrective actions, and systemic issues across projects and shares these bi-annually with the RFM Forum as institutional "lessons learnt" to support continuous improvement and strengthen audit readiness.

4. Audit Communication and Reporting

- All formal communication with auditors regarding engagement terms, timelines, and deliverables must be coordinated through the CRF Manager.
- Final audit reports must be shared with the CRF Manager to ensure proper record-keeping, oversight, and institutional reporting.

5. Corrective Actions and Continuous Improvement

- Audit findings must be addressed through agreed corrective action plans, tracked by the FM, and monitored by the CRF Manager.
- Lessons learnt from audits will be shared institutionally to enhance compliance, improve controls, and reduce recurring audit issues.

ANNEXURE A: Research Financial Audit Readiness Checklist

(For Principal Investigators, Faculty Finance and Central Support Units)

Audit readiness is an ongoing responsibility shared between the PI, faculty finance and central support units. Maintaining complete, accurate and reconciled records throughout the project significantly reduces audit risk.

This checklist should be used throughout the project lifecycle, not only when an audit is announced.

1. Governance and award documentation

- [ ] Signed award letter, contract or agreement on file
- [ ] Approved budget (original and all subsequent revisions)
- [ ] Evidence of institutional acceptance and authorisation
- [ ] Record of start and end dates (including approved extensions)
- [ ] Sub-award agreements (where applicable)
- [ ] Ethics approval(s) and amendments (where required)

2. SAP fund and financial setup

- [ ] SAP research fund created and active
- [ ] Correct VAT status applied at fund creation
- [ ] Budget correctly loaded and aligned with the approved award
- [ ] Fund currency correctly configured (if foreign currency)
- [ ] Evidence of fund opening and linkage to contract / award

3. Budget management and compliance

- [ ] Expenditure aligns with the approved budget and funder rules
- [ ] Any budget transfers documented and approved (where required)
- [ ] Ring-fenced costs (e.g. salaries, stipends, overheads) not repurposed without approval
- [ ] No unauthorised overspending or deficit balances
- [ ] Cash flow monitored for spend-and-claim projects

4. Expenditure documentation

- [ ] All costs supported by valid source documents
- [ ] Invoices, receipts and proof of payment retained
- [ ] Procurement documentation complete (quotes, tenders, approvals)

☐ PCard transactions reviewed and supported

☐ Foreign payments supported by correct approvals and documentation

5. Payroll and staffing

☐ Employment contracts issued for all grant-funded staff

☐ Salaries align with approved budget and funder rules

☐ Payroll processed through SAP HR only

☐ Timesheets available where required by funder

☐ Salary allocations correctly split across funds (if applicable)

☐ Severance or redundancy costs documented (if applicable)

6. Sub-awards, consultants and collaborators

☐ Signed sub-award or consultancy agreements on file

☐ Clear scope of work and deliverables documented

☐ Payment schedules aligned with deliverables

☐ Evidence of deliverable verification before payment

☐ Monitoring records for technical and financial performance

7. Financial reporting

☐ Interim / quarterly financial reports submitted on time

☐ Reports reconcile fully to SAP fund balances

☐ PI and finance sign-offs retained (where required)

☐ Final Expenditure Report (FER) prepared and submitted (if applicable)

☐ Retention amounts addressed and conditions met

8. Audit trail and reconciliation

☐ SAP ledger reconciled regularly

☐ No unexplained variances between SAP and funder reports

☐ Corrections and journal entries documented and approved

☐ Clear audit trail from transaction to SAP to report

9. Contracts, variations and approvals

☐ Approved extensions (no-cost or costed) on file

☐ Contract amendments or variations documented and authorised

☐ Evidence of funder approvals for material changes

☐ Grant transfers (if any) fully documented and approved

10. Records management and retention

☐ Financial records retained in line with funder and UCT requirements
☐ Documents stored securely and accessible for audit
☐ Naming conventions and filing structure consistent
☐ Data protection and confidentiality requirements met

11. Audit coordination readiness

☐ Single audit coordination point identified (faculty / CRF)
☐ PI aware of audit scope and expectations
☐ Roles clarified (who provides what documentation)
☐ No direct submission to auditors without coordination
☐ Previous audit findings reviewed and addressed

12. Risk flags (self-check)

☐ Any late reporting?
☐ Any expenditure outside approved categories?
☐ Any undocumented budget changes?
☐ Any prolonged unspent balances?
☐ Any recurring audit findings from previous projects?

If any boxes above are unchecked, address these before an audit is initiated.