

Financial Audits on Research Contracts and Grants

Some research contracts and grants stipulate that a project undergo a financial audit at project completion; for others only a potential for audit exists. Regardless of the requirement, VIU's Financial Services Department expects all researchers to follow acceptable financial accounting practices, to retain appropriate records (e.g. timesheets), and to seek the assistance of Financial Services in the preparation of all financial reports for external funders or have Financial Services endorse the financial report before it is sent. Without exception, the cost centre is the repository of all transactions related to the project and all costs must be reflected there.

Depending on the nature of the contract/grant, the records to be retained will vary, so for advice on the appropriate documentation to keep, contact Financial Services (Stephen Clements) or the Research & Scholarly Activity Office (Shelley Lumsden).

Potential Audit

In instances where there is only a potential for audit and the cost has not been built into the contract/grant budget, the auditor's fees will be covered either from remaining contract/grant funds (if allowable by the funder) or by the institution (from the institution's share of the indirect costs proceeds received from the project).

Required Audit

In instances where there is a required audit, the cost should either be:

- 1) built into the budget as a direct cost (if allowable by the funder); or
- 2) added indirectly as a percentage or an amount to all budget lines; or
- 3) covered through increased indirect cost recovery (increase to institutional minimum of 25%).

For advice on a reasonable audit fee to include in the budget, contact Financial Services (Stephen Clements).

Complicated Audits

If an audit occurs and if the auditor's fees are higher than normal due to either:

- 1) insufficient documentation retained by the researcher and/or project personnel (e.g. timesheets to track time spent on the project); or
- 2) where invoicing is not based on actual FRS expenditures and has not received final review/approval by Financial Services,

then the additional audit cost will be covered by the researcher or Dean from their respective share of the indirect costs proceeds received from the project.

If the original contract/grant cost centre is active at the time of audit, the cost will be charged to that cost centre with funds transferred in as/when required.