

DATE: MARCH 2021

Dear Beneficiary Partner

**THE COMMUNITY CHEST OF THE WESTERN CAPE – MEMO WITH REGARDS TO THE USE OF INDEPENDENT REVIEWS, ACCOUNTING OFFICERS REPORTS AND COMPILATION REPORTS FOR FUNDING AND COMPLIANCE PURPOSES**

Many of our partner agencies have been enquiring with us about the use of Independent Reviews, Accounting Officers Reports or Compilation Reports as appropriate documents for obtaining funding from The Community Chest or for the purposes of obtaining a Due Diligence Clearance Certificate from The Community Chest.

It is The Community Chest's policy, as part of its Funding and Due Diligence requirements that all Organisations applying for funding through/with The Community Chest must submit independently audited financial statements.

This policy has been implemented since 2016 because Community Chest deals with several external Donor Agencies, who have as a requirement that their funding only be applied to, amongst other requirements, organisations who have Independently Audited Financial Statements. We have an obligation to ensure the strictest of compliance with these Donor Agency requirements.

During our review of the applications received annually for funding and compliance purposes, we have unfortunately found several occurrences where applicants have submitted fraudulent Financial Reports and fraudulent Tax Clearance Certificates. Whilst this saddens us, it has unfortunately required us to put in place more stringent review processes.

An Independent Review, Accounting Officers Report or Compilation Report unfortunately does not check for irregularities or provide an assessment of risk in the organisation and does not assure the accuracy, completeness or reliability of the Financial Report.

A typical clause in an Independent Review, Accounting Officers Report or Compilation Report will have the following disclaimer:

*"Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with the International Financial Reporting Standards for Small and Medium-Sized Entities."*

Whilst we understand that individual, organisational Constitutions may allow for Independent Reviews, Accounting Officers Reports or Compilation Reports as sufficient to report to its own Board, these reports are no longer accepted by Community Chest for Funding and Due Diligence requirements.

We also wish to state that whereas the Department of Social Development may in some cases accept Independent Reviews, Accounting Officers Reports or Compilation Reports to accompany the submission of the Annual Narrative Report to DSD, please note that these reports are no longer accepted by Community Chest for private funding and compliance purposes.

We also wish to advise that we are aware of the costs associated with obtaining an independently audited set of Financial Statements. To that end Community Chest is planning to engage the auditing sector to see if there are any opportunities for more cost-effective rates for the non-profit sector from auditing firms. We will advise you of the outcome of our negotiations in due course.

In order to advance the quality of our partners for greater investment we assure you that we are committed to doing everything on our end to ensure that independent audits are not a barrier to obtaining funding or compliance certificates. We hope that our work on your behalf will in fact make funding more accessible to all.

We are available and keen to engage with your organisation on this or any other related matters. Do not hesitate to contact us.

Sincerely

Community Chest Due Diligence Team