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Evaluating Not-for-Profit spending

SMU Professor of Accounting and former Auditor-General of Singapore Lim Soo Ping shares why performance auditing plays an increasingly important role, especially in non-profit organisations

ASK Singapore Management University (SMU) Professor of Accounting Professor of Accounting and former Auditor-General of Singapore Lim Soo Ping why the undergraduate accounting course that he teaches is important, and he says: “Remember the golden rule!”

Ever since the National Kidney Foundation (NKF) went to court with Singapore Press Holdings (SPH) in 2005 over a story involving its spendings, it has become a memorable symbol for extravagance.

In the case, the National Kidney Foundation (NKF) conducted its financial affairs via expenditures on a conference, which resulted in the downfall of the old board, and the new board appointed the old board to recover funds lost due to financial mismanagement.

Prof Lim, who served as Singapore’s third Auditor-General, says: “Must we wait for such a case to come up before taking action to examine how funds are used? And at the cost of time and legal fees, not to mention collateral damage to the organisation’s reputation?”

In his years of experience, he has noticed that organisations would have set down conditions and requirements pertaining to the spending, such as certain amounts for travel expenses. He says that these may not be enough to prevent fraud.

Auditing for Wise Spending

To that end, performance auditing could help the boards of non-profit organisations review their spending in activities and projects, says Prof Lim.

“Performance auditing is a different set of eyes,” he says. “In the case of NKF, two of the best-known accountants in Singapore were involved in auditing.”

Prof Lim believes that a performance audit into their spending would have helped to provide greater assurance to stakeholders, in particular the donors and benefactors, that the money they had contributed was being wisely spent.

“Of course, boards of various foundations and welfare organisations do have due diligence, but as a management process, it can still be critically used at the implementation stage as an audit trail before any project planning,” he says.

Efficiency, meanwhile, refers to whether an expenditure as a whole meets its stated purpose. Prof Lim says: “It’s the的本质 of performance auditing.”

Common sense

The principle of economy refers to whether the amount of money spent is justified. Prof Lim says: “All too often we take things for granted.”

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