TOOL 16
PUBLIC AUDIT

Community members of the Drawa Rainforest Conservation project discussing their Carbon Benefit Sharing model. Credit: Nakau Programme / Drawa Rainforest Conservation project

TOOL 16
PUBLIC AUDIT

What is the **purpose** of public audit?

- To make the project's financial management transparent and properly accountable for project participants.

- To provide transparent financial information for project monitoring, annual reporting and annual planning.

Plan Vivo Carbon Standard (PV Climate) **requirement?**

Holding an annual Public Audit contributes directly to PV Climate requirement 5.1.1: "Projects must have a clear governance structure and decision-making process that incorporates input from Project Participants and other Local Stakeholders on key decisions affecting the development of the Project."

When to use this tool?

- At least once annually - preferably before the annual project accounts are compiled (and externally audited by an accountant if required) and before the project annual report is submitted to Plan Vivo.

Why is this tool required?

Project participants (including all project beneficiaries) should have a clear idea about how much money has been received by the project, from what sources it has come, and how this has been spent. This level of financial transparency will ensure that project governance structures are accountable and responsive to the needs of local people.

The formal audit by an accountant will answer questions about the project finances such as "How was the money spent?" or "Have the financial records been properly compiled?". A Public Audit on the other hand is used to answer questions such as "Was the money well-spent?" or "Was the money spent according to local participant priorities (e.g. according to the annual plan)?". These are more subjective questions

- but are questions for which it is important that the project provides explanations. It is not possible for every financial transaction to be approved by all project participants. On the other hand, if the project management committee is not transparent about decisions that have been made, participants may become suspicious that there may be financial irregularities. The Public Audit tool is a way to balance these two positions so that project participants are aware of the financial situation of the project and have an opportunity to make their own suggestions or give feedback whilst at the same time allowing the project to be managed effectively by the management committee on a day to day basis.

Who should participate?

A large group of community members (if possible representing different stakeholder or interest groups) can participate in a Public Audit. It is essential that committee members and project coordinator representatives are also present - especially the person who is responsible for the finances (the treasurer). It is often useful to have other non-community representatives present as participants or observers because specific questions can be addressed to them if necessary – for example local government officials, forestry agency staff, project staff etc. This will improve the level of transparency and understanding about the project.

How to use the tool?

☐ Plan and organise a meeting to which as many project participants as possible are invited (see the general notes on using participatory tools). For such a large meeting, the logistics are really important! It may be possible to combine the Public Audit with the Public Hearing by holding one in the morning and the other in the afternoon of the same day. This will avoid participants from having to attend meetings on separate occasions.

☐ Before the meeting, prepare financial information in a way that can be easily explained or shown to participants. Large flip-charts are a useful way of doing this. For example, a pie diagram can be drawn showing what the sources of income for the project have been over the past year (including income from sales of Plan Vivo Certificates). Similarly another pie diagram can show expenditure (in different categories) including any distribution of money to individual farmers.

☐ The treasurer should also bring copies of the project's cash book, bank statements, cheque books, etc to the meeting as evidence of any transactions carried out if required. Participants may wish to look at these. At the start of the meeting briefly describe the meeting purpose and (if time permits) ask every participant present to introduce themselves briefly with their name and any other relevant details.

- [ ] The treasurer then presents the overview of the project financial situation by using flip-charts or other diagrams to show:

  - Project expenditure over the past year (in broad categories such as cash distributed to farmers, administration costs, tools and equipment, labour costs for project activities etc.).

  - Project income over the past year (in broad categories such as income from Plan Vivo certificate sales, grants from other sources etc.).

  - Current project financial balance (e.g. combining expenditure and income and showing what is left as savings). This should be confirmed by showing the latest bank statement.

- [ ] The meeting is then open for questions and comments from participants. Participants are encouraged to ask questions that require the treasurer to give more detailed information about any of the broader categories of expenditure and income. The treasurer will be expected to respond as far as possible based on the information available. Some questions can also be passed to the chairperson or secretary for their suggestions.

- [ ] It is important to keep a good record of questions asked, answers received and decisions taken. Normally this is the job of the secretary. These form the minutes of the meeting.

- [ ] Before ending the meeting, the secretary or treasurer reads out this record of the meeting to ensure that all important points have been properly recorded. Participants can then amend or add points that have not been fully recorded. These minutes of the meeting become a permanent record along with a list of participants.

- [ ] Make sure that a list of names of everyone attending the meeting has been prepared. Take photographs during the meeting to show the general level of participation.