KIOS Project Management and Reporting Guide

Index

1. Introduction: Ground rules set by the Ministry for Foreign Affairs of Finland

The Finnish NGO Foundation for Human Rights KIOS provides financial support to local civil society organisations that work for the promotion and protection of human rights. The Board of KIOS consists of 11 Finnish organisations working for human rights and development issues and these organisations are important stakeholders of KIOS. The main funder of KIOS is the Finnish Ministry for Foreign Affairs (MFA) whose funds originate from the Finnish tax payer. The use of MFA funding requires KIOS and KIOS's project partners to follow certain ground rules and procedures for financial reporting. In addition, the grant agreement between MFA and KIOS also contains other grant conditions including procurement rules, an anti-corruption clause, and reporting and management requirements.

It is worth remembering that KIOS as a donor agency is itself accountable to its stakeholders (trustees, tax-payers, other donors etc.). KIOS is relying on your reporting to provide information to stakeholders. The basic conditions for project management, reporting and accountability are provided in the Cooperation Agreement signed by KIOS and the project partner. This guide explains KIOS's minimum requirements for grant management and reporting as set out in the Cooperation Agreement.

If you have further questions or any doubts about KIOS's requirements, please contact the project coordinator responsible for your project at the KIOS office.

2. Basic information about KIOS grants

Funding approval and signing of the Cooperation Agreement

After the KIOS Executive Board has made the decision to fund your project, the KIOS project coordinator responsible for your project will contact you about signing the Cooperation Agreement. The Cooperation Agreement sets out the basic conditions of the cooperation and defines the reporting requirements. The written Cooperation Agreement ensures that there is a clear understanding between the project partners on what has been agreed regarding the project's funding, and regarding cooperation between you and KIOS. Please read it through carefully. Please also check that the contact details and the bank information are correct.

Annexes

Annexes to the Cooperation Agreement include the approved project plan, the approved project budget, and the Estimated Reporting Schedule.

Estimated reporting schedule

For the estimated reporting schedule you will be asked to estimate the dates for submitting the reports on the project. This schedule can be changed during the project period, but only with prior agreement from KIOS. If you would like to make changes to the reporting dates, please contact your project coordinator at KIOS to discuss the matter. The Estimated Reporting Schedule helps you to keep to the schedule of the project, and also helps KIOS to plan its yearly funding schedule

Signing the agreement

Sign and return two hard copies of the agreement to KIOS for our signature. We will then send you back one fully signed copy.

If you want to speed things up, you can also scan the signed copy of the agreement and the reporting schedule. We will be able to make the first instalment when we receive the scanned copy. Please remember to also send hard copies by post even if you email us first!

Project cycle for a one-year project

```
┌─────────────────────────────────────┐
│   Application accepted for funding   │
│     by the KIOS Executive Board      │
└─────────────────────────────────────┘
                 │
                 ▼
┌─────────────────────────────────────┐
│     Cooperation Agreement signed     │
└─────────────────────────────────────┘
                 │
                 ▼
┌─────────────────────────────────────┐
│   First instalment of project funds 50%   │
└─────────────────────────────────────┘
                      ╲
                       ▼
        ┌──────────────────────────────────────┐
        │   Progress Report submitted to and accepted   │
        │              by KIOS, including:              │
        │          •  Cover sheet                       │
        │          •  Narrative report                  │
        │          •  Financial report                  │
        └──────────────────────────────────────┘
                         │
                         ▼
        ┌──────────────────────────────────────┐
        │           Second instalment 40%           │
        └──────────────────────────────────────┘
                              ╲
                               ▼
            ┌──────────────────────────────────────┐
            │   Final Report submitted to and accepted by   │
            │      the KIOS Executive Board, including:      │
            │         •  Cover sheet                         │
            │         •  Narrative report for the whole      │
            │            project period                      │
            │         •  Financial report for the whole      │
            │            project period                      │
            │         •  Audit report (including             │
            │            Management letter)                  │
            └──────────────────────────────────────┘
                              │
                              ▼
            ┌──────────────────────────────────────┐
            │      Third instalment 10% (Refund)        │
            └──────────────────────────────────────┘
```

```
┌─────────────────────────────────────┐
│         At the end of each year:          │
│   consolidated audited accounts and       │
│     the annual activity reports           │
└─────────────────────────────────────┘
```

Note: For some projects there are more instalments and therefore more progress reports submitted during the project period. The schedule for reporting and the release of funds will be agreed on when drafting the Cooperation Agreement.

3. Communicating and agreeing on changes

Keeping in touch regularly – informal reporting during the project period

We recommend that you keep us updated between reports by sending us emails on the project's progress, for example updates about current activities and events or possible challenges. The KIOS project coordinator responsible for your project will also keep in touch with you between the agreed reporting dates. Regular contact will provide opportunities for dialogue, common learning and experience sharing.

Negotiating changes in the project plan or budget

KIOS funds are to be used according to the project plan and budget approved by the KIOS Board. However, circumstances may require changes in the project plan or budget. KIOS strongly encourages you to carry out activity and budget monitoring during the project and to make changes to the project if it will help achieve the project's objectives. However, changes should always be agreed in writing beforehand by KIOS.

If there is a need to revise the project plan or budget, you must contact your contact person at KIOS by email to discuss the proposed changes. Verbal discussions regarding changes in project implementation or budget are not binding to either party. It is important to explain in detail why the approved project plan or budget needs to be changed.

Remember that budget adjustments can only be done within the total budget limits, because no additional funding can be granted once the project has started.

Changing the project reporting schedule

If the project is delayed, or implemented at a faster pace than anticipated, please inform KIOS in advance so that the new completion and reporting dates can be agreed upon. The tentative reporting schedule can be changed if agreed upon with KIOS.

Reporting internal changes

In addition to keeping us up to date on the progress of the project, it is especially important to let KIOS know if there are any changes in your organisation's strategy, funding, policies or staff. Even if these changes will not directly concern the KIOS-funded project, we would like to follow the progress of your organisation and understand the role of the KIOS-funded project in your organisation's work.

Visits to projects

Visits to projects are part of the cooperation and communication between grantees and KIOS. KIOS staff make regular visits to projects according to the foundation's annual plan. Sometimes KIOS Board members or Ministry officials may also visit KIOS-funded projects. During field visits, KIOS staff get acquainted with the overall activities of previous, current and possible future grantees; meet beneficiaries and other project stakeholders; inspect the financial administration of funded projects; and participate in any possible project activities. Visits to projects are valuable to us as learning experiences and visits often help us to make improvements in our work. At the same time, we hope KIOS visits contribute to our partners' work and to developing even better cooperation for the future. Unfortunately not all funded projects can be visited due to limited   resources.

4. Monitoring and evaluation as a prerequisite for good reporting

Monitoring your project activities and progress forms the very basis for gathering information for your project reports to KIOS. This section provides a brief introduction to what M&E is, together with a selection of recommendations. M&E is an embedded concept and a constitutive part of every project or programme design ("must be"). M&E is not a control instrument imposed by the donor or an optional accessory ("nice to have") of any project or programme. M&E is ideally understood as dialogue on development and its progress between all stakeholders. Having an effective monitoring and evaluation system makes it easier to meet KIOS's requirements concerning narrative and financial reports.

Monitoring

Monitoring is the systematic and routine collection of information from projects and programmes for four main purposes:

- To learn from experiences to improve practices and activities in the future

- To have internal and external accountability of the resources used and the results obtained

- To take informed decisions on the future of the initiative

- To promote empowerment of beneficiaries of the initiative

In your funding application to KIOS you will have described your monitoring and evaluation plan. Throughout the project there should be ongoing activity monitoring, and you should be keeping track of the activities, outcomes and results in comparison to those set out in the project plan. We would encourage you to conduct participatory monitoring and engage people from various stakeholder groups to analyse the project activities.

Evaluation

The data acquired through monitoring is used for evaluation. Evaluation is assessing, as systematically and objectively as possible, a completed project or programme (or a phase of an ongoing project or programme that has been completed). Evaluations appraise data and information that inform strategic decisions, thus improving the project or programme in the future.

Evaluations should help to draw conclusions about five main aspects of the intervention:

- relevance

- effectiveness

- efficiency

- impact

- sustainability

Information gathered in relation to these aspects during the monitoring process provides the basis for the evaluation. During an evaluation, information from previous monitoring processes is used to understand the ways in which the project or programme developed and stimulated change. Monitoring focuses on the measurement of the following aspects of a project:

- the quantity and quality of the implemented activities (outputs: What do we do? How do we manage our activities?),

- the processes inherent to a project or programme (outcomes: What were the effects /changes that occurred as a result of your intervention?),

- the processes external to a project (impact: Which broader, long-term effects were triggered by the implemented activities in combination with other environmental factors?).

In case you have not budgeted for an external evaluation of a KIOS project, the reports and audit should reflect the data collected during the monitoring activities. Besides evaluating/assessing the short-term impact at the end of the project, assessing the long-term impact is equally important, since changes in society often take a long time to materialise. We would therefore like to encourage you to conduct follow-up evaluations of concluded projects to determine what lasting impact the project has had in the long term.

5. Narrative reporting to KIOS

Agreeing on reporting

For all projects, the schedule for reporting and the release of funds will have been discussed during the application stage, and agreed on when drafting the Cooperation Agreement.

Reporting as part of learning

Submitting progress and final reports is an important part of the dialogue between KIOS and the project partner. When you submit a report to KIOS, we always aim to have a good discussion on your experiences implementing the project. Through discussion we have a better chance of getting to know your project fully and to benefit from mutual learning.

Cover sheet and checklist for reporting

We ask you to attach the completed reporting cover sheet to the progress report(s) and the final report. The cover sheet asks for the basic information on the project: title and number of the project, name of the organisation, name, position and contact details of the person responsible for the project, project duration and basic financial information. The cover sheet contains a checklist which is meant to help you cover some of the issues of narrative reporting. An example of a checklist is available in Annex 1 and the cover sheet is available on the KIOS website www.kios.fi, or you can ask for it by email from kios@kios.fi

Narrative reporting for KIOS is free form

Narrative reporting is free form. Besides covering the questions on the checklist, we strongly encourage you to provide us with any other information or material on the project that you deem important and relevant.

Activities funded by other donors

If activities undertaken with KIOS funding are part of a larger project, you must clearly state, in your reports, which of the activities were implemented with KIOS funding, and which were supported by another donor. We are interested to hear about the work supported by other donors as well, especially if it is closely connected to the project KIOS is supporting.

Signature

The narrative report should be compiled by the person responsible for the project's management, and signed by the person authorised to do so on behalf of the organisation (usually the director or the chairperson).

The progress report includes:

- Cover sheet

- Progress narrative report with annexes

- Progress financial report with annexes

- Copies of all the materials you have produced in the project

When to submit the progress report

The progress narrative report is submitted to KIOS together with the progress financial report and cover sheet. Progress reporting is done when half of the total project funds have been used, unless agreed otherwise. This does not always coincide with the halfway point in the project in terms of time. If the project period is more than one year, there are usually more than three instalments and correspondently also more intermediary reports are submitted.

Note, the amount of the unused funds should not be more than the amount of the last instalment of the KIOS grant. The amount of the last instalment is 10 % of the total KIOS grant.

The assessment of progress reports

The assessment of the progress reports at KIOS's office usually takes a few weeks. The report is compared with the original project plan presented in the application and the approved budget. The reports are always discussed with the project partner. The decision on the approval of the progress report and making the second instalment will be made at KIOS's offices.

What to describe in the narrative progress report

The narrative progress report should provide KIOS with information on the activities and achievements so far and should enable reflection on lessons learnt. Consequently, the progress report should also include plans for the implementation of the rest of the project. Feel free to provide any additional information you deem important to give a full picture of where the project stands at the time of reporting, and where it is going. You should especially address any possible challenges you have faced in implementing the project, or challenges you perceive in the future, and analyse how these challenges will be addressed.

The final report includes:

- Cover sheet

- Final narrative report with annexes

- Financial report with annexes

- External project audit, including management letter

- Copies of all the materials you have produced in the project

When to submit the final report

The final report can be submitted to KIOS when the project has been concluded and all the project activities have been implemented. The final narrative report can be sent to KIOS before the project audit report has been completed.

Assessment of the final report

The report and the results of the project will be discussed and evaluated between KIOS and the partner. The Executive Director of KIOS will make the final decision on approving and releasing the remaining last instalment, or whether only a part of the remaining last instalment will be paid, or if there should be a repayment of unused funds. For this reason the assessment and conclusion of the final report usually takes longer than the assessment of the progress report.

The final report is the most important document of the project

The final report (both narrative and financial) is the single most important document of the entire project. It is the main reference document of the project once the work of the project is completed. It is the basis for any future follow up, evaluation or study on your project work.

Final reporting of a previous project is also taken into consideration when possible future cooperation with KIOS is discussed. It is important to put effort and time into compiling a comprehensive final report that analytically describes what the project aimed for, what it achieved, and what was learned through its implementation.

Making your work visible

The final report is also the best opportunity for your organisation to make the achievements of the project visible to those who have not been directly involved with the project. The final report can be distributed to stakeholders and donors who have interest in the project, for example KIOS's founder organisations, the Ministry for Foreign Affairs, and civil society in Finland. For instance, KIOS shares information on projects it has funded through its website, and through other channels in Finland, particularly those of KIOS's founder organisations.

What to describe in the final narrative report?

The final narrative report should cover the entire project period, not just the second half. Correspondently, when assessing the final report, earlier reports and material are also taken into account. The final report should give a full picture of all the activities during the project, how the project evolved during the project period, what results were achieved, and how objectives were met. Particularly, you should analyse what were the strengths, weaknesses and challenges of the project.

The final narrative report should aim to describe the impact the project has had in the short term, and outline the future and possible long-term impact the project is envisaged to have. Plans for the immediate future of the project and its activities should also be described. To give a full picture of the entire project, we encourage you to provide any additional material or information that is necessary.

Try to be as accurate and concrete as possible. If you use any abbreviations, please remember to explain them.

Additional material and information for the progress and final reports

Kindly send KIOS copies of documents produced during the project: participant lists, feedback reports, evaluations, case studies, manuals and survey reports. If you have produced any specific material concerning the project, it is useful to attach them to the report.

You should send us copies of the information, education and communication materials produced (for example posters, leaflets, books, videos, tapes, t-shirts, CD-ROMs, and photographs). Feel free to attach any other relevant project material to progress and final reports, or even send project material to KIOS in between reporting periods.

Reporting on challenges

When reporting on your project, you should also think about the factors that have caused difficulties in and barriers to the work, for example security issues, change of the project's or organisation's personnel, etc. If problems have occurred in your project, it does not mean we automatically think your project has been a failure. Difficulties and failures can be an excellent opportunity for learning, even though it might be hard to admit weaknesses and describe them. We are sincerely interested in the challenges you face in your work. By sharing the less successful aspects of your work with us, you can show us that your organisation has learned something through the project process.

6. Financial management requirements for the partners of KIOS

Project financial management

Financial management is an important part of project management and must not be seen as a separate activity left only to the finance staff. Financial management is a process that brings together planning, budgeting, accounting, financial reporting, internal control, auditing, procurement, disbursement and the physical performance of a project with the aim of managing project resources properly and achieving the project's objectives.

The accounting and overall administrative model should be so clear and transparent that everyone involved can identify the relevant tasks and responsibilities. In addition to this, other relevant measures in order to prevent corruption and manage risks should be in place.

Notice that this chapter provides only a general indication of good practices on your organisation's financial management. It is not an exhaustive list of all aspects of project financial management, since KIOS demands that a standard set of financial management procedures and adequate reporting be in place in each organisation before they receive funding approval from KIOS.

Indicators of good financial management

Please, share and discuss with your colleagues the indicators of good financial management that are listed below:

- National laws and regulations followed

- Transparency and openness (sufficient, regular written and digital information to the Board)

- Bookkeeping done professionally

- Deadlines followed

- Clear division of labour

- Sufficient human resources (not too much dependency on one person)

- Realistic budget

- External audit carried out

- Follow-up done and action taken if needed

- Internal control in place

The list of minimum requirements compiled by Mango is available in Annex 5.

Planning & budgeting

Budgeting is about working out how much your planned activities are likely to cost. Both programme and finance staff should be involved in setting budgets, to create good cooperation and coordination in spending and budget monitoring.

The codes used for your budget lines need to correspond with the codes used in your accounting system. Otherwise it will be difficult to track actual spending against expected spending in your budget monitoring reports.

A cash-flow forecast is as important as a budget. It constantly looks 3 to 6 months into the future, starting with the actual cash available now. It helps you to prioritise the timing and scale of planned activities and to spot cash-flow problems in good time.

If there is a need to revise the project plan or the project budget, you are required to contact your contact person at KIOS by email to discuss the proposed changes. Verbal discussions regarding changes in project implementation or budget are not binding to either party.

Accounting standards

The system for keeping financial records and documentation must observe nationally and internationally accepted accounting standards and principles. Any accountant from anywhere around the world should be able to understand the organisation's financial accounting systems.

The project's accounts are to be kept in such a way that the entries and the explanations concerning all various types of funds can easily be examined and checked from the bookkeeping.

The receipts and other bookkeeping documents must be stored in a safe place for at least a minimum period of six years after approval of the final report of the project.

There are two main methods for keeping accounts: cash accounting (receipts and payments accounting) and accruals accounting (the dual aspects of debits and credits). Many NGOs also adopt a mixture of these two methods. KIOS accepts both methods, but for a small NGO with very few financial transactions or an accountant who does not have long experience in bookkeeping, a simpler bookkeeping system, which is cash accounting, is recommended. As an organisation grows and takes on a number of projects and different sources of funding, its reporting requirements, and therefore its financial systems, will become more advanced. At this point KIOS strongly recommends using an accruals or 'mixed' accounting system.

Financial accounting records can be maintained using a manual (excel) or electronic system (or a combination of both methods). However, KIOS recommends using an electronic accounting system.

What accounting records to keep?

Every organisation should keep files of the following original documents to support every transaction that takes place:

- Receipt or voucher for money received

- Receipt or voucher for money paid out (add KIOS to each of these)

- Invoices – certified and stamped as paid

- Bank paying-in vouchers stamped and dated when money is taken to the bank

- Bank statements

- Journal vouchers – for one-off adjustments and non-cash transactions

Keep separate files for receipts for money coming into the organisation and money going out. Mark invoices 'paid' with the date and cheque number to prevent their fraudulent re-use by an unscrupulous person.

Remember that no receipt means there is no proof that the purchase was made. Always obtain receipts for money paid out even though sometimes this may be challenging. For example, when purchasing goods or services from somebody who cannot give you a receipt (for example a local bus or a street vendor), simply

write the transaction information clearly on paper and have the seller sign it. We advise you to buy a standard receipt book and always carry it with you.

Written approval, a voucher, should be required from a senior manager for each expenditure before it is made unless it is a recurring cost, such as salaries or rent.

These receipts and vouchers for all financial transactions should be cross-referenced to the books of account and filed in date or number order. Apart from being required by the external auditor to support the audit trail, certified receipts also provide protection for those handling money. Mislaid or incomplete records can result in suspicion of mismanagement of funds from KIOS's side.

Books of account

The minimum requirements for books of account are:

- Bank (or Cash) Book for each bank account

- Petty Cash Book

Every transaction involving paying out or receiving money should be written down in a cash book. It can be kept in a physical cash book or petty cash book, on an Excel spreadsheet or as part of a computerised accounting package. Every entry in the cash books should be referenced back to the relevant supporting document.

Accounting works by assigning codes to each transaction entered in the cash books. The unique list of accounting codes that an organisation uses is called its 'Chart of Accounts'. Another set of codes can be used to assign transactions to a specific project or donor. These are called 'cost centre' codes. If the Chart of Accounts is detailed enough (for example transportation is divided into fuel, vehicle maintenance, insurance, public transportation, etc.), it will be able to cope with different donor budget lines.

Petty cash records are kept in a similar way to the cash book records. As both sets of figures will eventually have to be combined to produce financial reports, it makes sense to set out the books in a consistent manner.

It is important to check the accuracy of the accounting books at the end of each month by carrying out two essential 'reconciliations'. The bank statement balance is compared to the Bank Cash Book closing balance. A physical cash count is done to check the closing balance in the Petty Cash Book. This helps to identify likely cash shortages and allows action to be taken such as:

- requesting donor grants early,

- delaying payment of certain invoices,

- delaying some activities,

- negotiating a temporary loan facility at your bank.

If you work with several different donors at the same time it is very important to keep track of which donor is funding which project (or part of a project). Opening a separate account for the KIOS grant helps this task.

Financial statements

The Board of Trustees needs financial reports to oversee the finances of the organisation. Managers need up-to-date figures to monitor projects and make decisions. Donor agencies need reports to check the use of their money, and often as a condition for further funding. Increasingly, organisations are sharing financial information with beneficiaries to increase accountability and gain their confidence.

An annual external audit verifies the accuracy of the financial statements. The monthly financial reports should include an income and expenditure report showing money coming into the organisation and how it

was spent. If the report compares the amount spent against budget, it is called a budget monitoring report. Project managers should work closely with the finance staff and use financial reports to help make decisions so that the money is used efficiently and effectively to achieve the desired outcomes.

Managing internal risks with internal controls

Good financial management includes internal controls. When these are in place they help to stop fraud and protect the staff as well as the assets.

Please check the Mango page to make sure that internal controls are in place. (**http://www.mango.org.uk/Guide/HealthCheck**)**.** You can also find some more information about the internal controls in annexes 6 and 7.

Staffing

Good financial management is dependent on staff with the right skills, support, and attitude to carry out their responsibilities. All staff has a role to play in financial management. The accounting staff is part of a wider team including the Executive Director, programme managers and the Board. Integrating good financial management into programmes involves budget holders and finance staff working hand in hand through all the stages of the financial cycle.

KIOS demands that the finance staff have the skills (and qualifications) needed to carry out all of the financial activities of the project. Finance staff should receive the training and support they need to carry out their responsibilities. Also, managers and programme staff have to have the financial skills they need to manage budgets and implement controls. You must always inform KIOS in the event of changes in the finance staff and other staff.

Schedule for instalments and reporting

A tentative schedule of the project reporting and instalments is agreed on when signing the Cooperation Agreement and reporting schedule. The organisations funded by KIOS are asked to produce a varying number of project reports depending on the structure and length of the project. Reporting includes narrative and financial reports. The implemented activities must always be reported before the next transfer of project funds can be sent.

Usually, when the project plan is for 12 months, KIOS releases funds in three instalments (50%, 40%, and 10%), and project partners are required to submit two main reports. These are the progress report and the final report. Please check the reporting and instalment schedule in the Cooperation Agreement. If the project period is more than one year, there are usually more than three instalments and correspondently also more intermediary reports are submitted.

The first instalment, which is 50% of the total funds granted, will be transferred after both parties have signed the Cooperation Agreement.

The second instalment, which is 40% of the total funds, will be paid after you have submitted and KIOS has approved the progress report. The progress report should be submitted when the funds of the first instalment are nearly used, no earlier. The second instalment cannot be made if there are still plenty of funds left from the first instalment. This means that the progress report is submitted when about half of the total project funds have been used. This does not always coincide with the halfway point in the project in terms of time.

The Executive Director will make the final decision on approving the final report and on the payment of the remaining *third instalment which will amount to a maximum of 10% of KIOS funds*. The third instalment will be paid as a refund of the real expenses occurred. This means that the third instalment will be less than 10% if the organisation has financed less than 10% of the project costs before submitting the final report. If the organisation has used less than 90% of the KIOS funds, the Executive Director must require repayment of unused funds. The refundable third instalment consists of real costs occurred and paid by the organisation during the project and audited by the auditor.

A self-financing share of 10% of the total project costs is another requirement of KIOS funding. It must also be approved by the auditor and it can be cash or an in-kind contribution (for example the monetary value for voluntary work). Please see *Self-financing* for more information.

7. Managing KIOS instalments

Currency of instalments

The grant and instalments are in euro (shown in the Cooperation Agreement). The euro amount shown in the Cooperation Agreement is the maximum amount that can be given to fund the project costs. The precise grant in euro is determined on the day when the KIOS Board makes the funding decision, according to that day's euro exchange rate in http://www.oanda.com/currency/converter/. The instalments are made to the bank account specified in the Cooperation Agreement. KIOS will notify you by email when the transfer of funds is made.

Local currency account and exchange rate

For reporting and to adjust your project budget it is necessary to determine the average exchange rate between local currency and euro. If you have a foreign currency account please see *Foreign Currency Account.* This is needed because the KIOS grant is in euro and the final instalment amount is calculated using the average exchange rate of the instalments. We ask you to calculate the exchange rate by dividing the total amount received in local currency by the total amount sent in euro. Note, that it is necessary to determine the average exchange rate after every instalment from KIOS.

Include any deducted bank charges in the received funds when calculating the exchange rate. This means that you should count the average exchange rate using the amount of money you have received before any bank commission or other deducted bank charges are taken from the amount. The bank charges should be included in the project expenses in your bookkeeping.

Foreign currency account and exchange rate

KIOS recommends opening a foreign currency account, especially if there is high inflation in the country.

If you are using a foreign currency account (e.g. euro or USD bank account) for temporary deposit of the funds and the conversion to local currency is made on various occasions, you must keep all currency exchange and withdrawal receipts for financial reporting and auditing.

You should be as precise as possible when providing information concerning the exchange rate. All calculations should be based on the receipts of each withdrawal because the final instalment is a refund and it is calculated using the average exchange rate of the withdrawals.

Note, the audit should include the exchange rate of every withdrawal. It is necessary to determine the average exchange rate after every withdrawal.

An example of calculating the exchange rate for the reports

1st instalment	Amount sent by KIOS: 7,000 EUR Amount received by the organisation: 373,080 WLR ("Wonderland Rupee") 373,080 divided by 7,000 = 53.297
Progress Report	1st financial report is made using the exchange rate 1 EUR = 53.297 WLR
2nd instalment	Amount sent by KIOS: 5,600 EUR Amount received by the organisation: 315,546 WLR The exchange rate for the 2nd report is determined based on ALL project funds received so far: In WLR: 373,080 + 315,546 = 688,626 In EUR: 7,000 + 5,600 = 12,600 688,626 divided by 12,600 = 54.653
Final Report	2nd financial report is made using the exchange rate 1 EUR = 54.653 WLR

If you have a foreign currency account, use the exchange rate of each withdrawal instead of the instalments. In some cases, the weighted average exchange rate can also be calculated. In any case, the information should be as exact as possible.

Receipts of instalments

Please send KIOS a copy of the bank advice note for each transfer of KIOS funds. The copy of the bank advice note should include:

- The name of the receiving organisation

- The name of the sending organisation (KIOS)

- The transferred amount in euro

- The instalment in local currency

- The date of the transaction

- The bank charges

- Exchange rate losses and gains

The KIOS grant amount is fixed to the amount decided by the Executive Board, and possible losses caused by exchange rates cannot be covered. In any case, whether you will be gaining or losing you need to adjust your project budget accordingly and in consultation with KIOS. Contact your contact person at KIOS, if a need to adjust the project budget arises.

Bank charges

KIOS can approve bank charges related to KIOS instalments if they have been included in the original project budget. If you have not included them in the budget, please still include them in you project expenses in your financial reports in case KIOS can, at the end of the project, still approve them.

Interest gains

The possible interest gains made on KIOS grant funds can only be used for the current KIOS-funded project's activities. This means that you need to use all the interest gains to finance the project costs. Interest profits should also be properly reported in the financial reports.

In some countries the interest gains can be substantial amounts. In these circumstances it is necessary to adjust the project budget in order to take into account the interest profits. It is good practice to calculate the potential interest gains of the project early enough to adjust the project budget. Contact your contact person at KIOS, if a need to adjust the project budget arises.

Separate bank account for the KIOS grant

When you have multiple sources of funding, it is advisable to open a separate bank account for KIOS funds, as this makes it easier to track the use of the funds.

Use of funds and reimbursement of unused funds

Granted funds are meant to be used only for the intended purpose that is described in the project application. If on completion of the project there are surplus funds left, or funds not adequately reported for, we will send you a request to reimburse the unused funds. The unused funds may only be reallocated to other activities on written approval from KIOS.

8. Financial reporting to KIOS

What to include in the financial report?

No receipts for expenses incurred need to be included in the financial reports to KIOS. Receipts and other books must, however, be kept in accordance with national legislation on bookkeeping and accounting.

The Financial Report should include the following information:

- The actual receipts of each instalment in local currency. It is essential for KIOS to have information on the amount of funds received in your local currency.

- Original budget approved by the KIOS Executive Board (or, if amended afterwards, with the approval of KIOS then the revised budget).

- The actual payments and costs of the project.

- Balance of the funds.

- Explanatory notes to possible variances from the original budget. If there is a need to revise the project plan or the project budget, this should be approved with KIOS beforehand.

Remember to report on the self-financing share of 10% of the total costs. Specify on what basis the value of voluntary work and in-kind donations have been calculated.

Please specify financing from other sources, if there have been other donors supporting the project.

Format of the financial report

The financial report should include all the information listed above, but the reporting sheet is free form, although in Annex 3 you can find an example of an Excel sheet for financial reporting.

Submitting financial reports

For most projects, the partners are required to prepare two main financial reports: progress financial report and final financial report. Financial reports are submitted with the progress narrative report and final narrative report respectively. Please see the chapter *Narrative reporting* for more details.

Reporting to be based on bookkeeping

The financial reports should be based on bookkeeping, where different cost elements are clearly grouped according to the original budget breakdown.

The person or persons who are in charge of the financial transactions of the project should carry out the financial reporting together with the person/s responsible for the project activities.

The progress financial report and final financial report specify actual costs that were incurred during the implementation of the project. The final financial report needs to cover the whole project cycle from the beginning of the project until the end of the project.

You need to remember to report all the project expenses covered by all your funding sources. This means that you need to report the KIOS-funded project costs, self-financing and any other financing from other donors (domestic and foreign), as you did in the application. For more details, please see *Self-financing.*

Comparing expenses with the approved budget

The comparison with the original approved budget should be clear and explicit in your financial report, and different cost elements should be clearly grouped according to the original budget breakdown. Similarly the

external audit report should be easily comparable with the final financial report and the approved budget. It is important for the sake of easy comparison, that you do not change any of the budget line titles or amounts of the approved budget. If the format of the external audit does not follow the budget lines of the approved budget, please attach an explanatory note on which budget lines correspond with which audit lines.

Reporting on self-financing share

Remember to report on the self-financing share of 10% of the total project costs. Specify on what basis the value of voluntary work and in-kind donations have been calculated.

The origin of the self-financing needs to be reported to KIOS. The auditor must be able to include a statement about the self-financing in the auditor's report. Please see more in *Self-financing*.

Currency of financial reports

It is important to use the same currency for reporting that is used in the approved project budget. The project budget should be presented in local currency, so the currency used in the actual expenditure and the reporting should therefore be done in local currency as well.

Special audits and other follow-up

From time to time KIOS commissions special audits on chosen projects as part of our regular follow-up of the financial management of the projects. KIOS also requests, every year, some of the projects to submit copies of receipts of payments as a follow-up on financial management. During visits to projects, KIOS staff gets acquainted with the bookkeeping and financial management of its partners.

Co-financed projects

In case your organisation has received funding for the KIOS-funded project from other donors (meaning that the project is co-financed), this other funding belongs under *other financing*.

If the project is co-financed, the auditor's report should cover the project in total. This means that there should be a common auditor's report of the total funds received for the project. If donors have different audit requirements, each project audit may be annexed to the auditor's report. You must clearly state, in all project reports (financial and narrative) and in the auditor's report, which of the activities were implemented with KIOS funding, and which were supported by other donors.

9. Special requirements for final financial reporting

The final instalment is a refund

The last/final instalment will be made after KIOS has approved the final narrative report, financial report and Audit Report. This means that your organisation needs to finance the last part (commonly 10% depending on the funding schedule) of the project costs first by itself (in addition to the self-financing share of a minimum 10% of the grant). Refunding is made by KIOS only after the final report has been approved.

For reporting and to adjust your project budget it is necessary to determine the average exchange rate between the local currency and the euro. This is needed because the KIOS grant is in euro and the final instalment amount is calculated using the average exchange rate of the instalments.

Include any deducted bank charges in the received funds when calculating the exchange rate. This means that you should count the average exchange rate using the amount of money you have received before any bank commission or other deducted bank charges are taken from the amount. The bank charges should be included in the project expenses in your bookkeeping.

KIOS specific project audit

The final report includes the auditor's report. At the end of the project an auditor should officially audit the accounts of the whole project. The auditor also checks the records of the organisation to ensure that there is good governance and proper management in the organisation. Also the self-financing, both in cash and in-kind, is to be audited.

The auditor writes a report, which gives an opinion on whether the final financial report gives a true and fair view of the activities of the organisation and if the grant has been used for the purpose mentioned in the agreement. All the received funds whose use cannot be verified by an auditor should be returned to KIOS.

Auditors should also provide a management letter. The management letter refers to a report to management indicating the auditors' recommendation for correcting deficiencies disclosed by the auditors. The letter identifies issues that are not required to be indicated or disclosed in the financial report, for example, it highlights weaknesses identified in the internal control systems, but contains the auditors' suggestions and concerns noted during the audit. Managers have an opportunity to respond to the findings outlined in the management letter and explain what action they will take.

The auditor should be independent and must not be involved in the keeping of the accounts, or be related to any of the organisation's executive team. The auditor should be a respected person who is certified and registered according to the laws and regulations of the country.

The auditor should follow the approved principles related to auditing in the project country and the instructions provided by the Ministry for Foreign Affairs of Finland (included in Annex 3). Please, make sure that you forward these specific audit requirements to your auditor and preferably go through them with him/her. We also recommend you to make a written contract with the audit company.

We recommend that the grantee organisation finds an auditor before the start of the project activities. If your organisation does not have a regular auditor, we ask you to issue a call for offers from at least two audit companies.

The audit required should be a separate audit of the KIOS grant or a KIOS specific audit extracted from the consolidated audit. Your auditor and an authorised person from your organisations should sign the report.

10.   Self-financing

In addition to the project support granted by KIOS, the organisation is required to contribute its own resources. The ability to raise self-financing tests the organisation's commitment to the project.

According to the Cooperation Agreement between KIOS and its funding source, the Ministry for Foreign Affairs of Finland, the grantee shall contribute a minimum of 10% (self-financing share) to the total cost of the project funded by KIOS.

The minimum 10% self-financing made by your organisation can be cash contributions, voluntary work or donated materials and services. The origin of the self-financing needs to be reported to KIOS.

When the project costs are reported, your auditor should be able to include a statement about the self-financing in cash or in kind in the auditor's report (more in *Audit instructions*).

Cash contributions

Cash contribution is cash that an organisation invests into the project for the implementation of activities. The cash (monetary) value of the self-financing share must be entered into the organisation's bookkeeping. You should include in the reporting where you got the money used for self-financing the project. Cash contributions must come from the organisation's own income sources, such as membership fees, donations or private sponsorships. Other donor funding or local public funding can also be included in self-financing in some cases.

In-kind contributions

If there is no cash changing hands, it is called in-kind contribution. These contributions can be materials, services, use of equipment, or voluntary work that are donated for the project.

The use of the organisation's existing resources, such as office space, GPS, computer, or printer for the project's activities, qualifies as self-financing. These materials or items are owned by the organisation (not bought using the project funding) and they are used for the project's activities without extra cost to the project. Services can include, for example, using a meeting room for free. The value of the use of the materials and services needs to be estimated and the calculation should be shown as cash (monetary) value in the organisation's bookkeeping and reporting.

Voluntary work should be calculated according to what would be paid to a local worker/professional for the same work before taxes. The work must be associated with the preparation or implementation of the supported project. Your organisation is requested to provide a list of volunteers and the type and duration of their work. The calculated values of voluntary work must be clearly itemised in the plan and reports. Preferably, voluntary work should be verifiable with appropriate work-time monitoring systems e.g. time sheets (please see the Annex 2).

See below some guidelines for your calculations:

- Voluntary work and donated materials and services: name the type and quantity of materials/tasks along with their current value.

- Value of voluntary work: the value of voluntary work should be calculated according to the local salary standard for equivalent work before taxes. Please calculate the value of such work in terms of gross salary, excluding other salary-related costs.

- Value of donated materials: the value of donated materials should be calculated according to the estimated local market value of the materials. Please keep the estimates cautious; the prices must not be exaggerated. If the donation is especially high in value, or is a special item, experts should be used in appraising value. The expert's written estimate must be appended to the financial report.

- The use of equipment (i.e. computers, printers) should be determined by using a maximum 20 per cent of the purchase price.

Even with no transfer of money, these in-kind contributions still appear as project costs. Remember that, when filling out the KIOS application and reporting forms, the self-financing should be included in the *project financing table* and the *break-down of total self-financing table*, as well as the equivalent amount as expenses in the *project expenses table*.

Reporting the self-financing

When the project costs are reported, your auditor should be able to include a statement about the self-financing in cash and/or in kind in the auditor's report. The auditor has to check the final financial report of the project and confirm it by signing it (more in *Audit instructions*).

Problems in accumulating self-financing

The rate at which self-financing is accumulated must be monitored and reported to KIOS; any potential problems must be reported to KIOS as soon as possible.

If the organisation is unable to collect the planned self-financing share, the scope of the project must be correspondingly curtailed so as to reach the minimum 10% self-financing share of the total project costs.

11. Other requirements for partners

Visibility of KIOS

You need to mention KIOS as a source of funding in all publications and reports produced in this agreed project. If using KIOS's logo/name is difficult due to sensitivity or political reasons, please ask for guidance from KIOS.

Organisational annual reports

We also ask you to send us the consolidated audited accounts (with different donors and their funding listed separately) and the annual activity reports of the overall work of your organisation for the years during which the KIOS project was implemented. These reports can be sent together with or separately from the progress and final reports.

Changes in banking details

Remember to inform us in the event of changes to your banking information.

Property list or fixed assets register

You need to keep a list of all the property (worth more than 100 euros each) bought with the funds granted by KIOS. The list must include: name of the item, price, date of purchase, and where the item is used and stored during the project. An alternative to this is the fixed assets register. This up-to-date list or register should be attached to the financial progress and financial final reports. Also, the auditor needs to check the property list or fixed assets register. Furthermore, if the item is worth more than 100 euros it should be labelled as bought with project funds.

Procurement

If you are purchasing (buying) supplies, equipment and services, you need to ensure that the procedures for placing orders or awarding contracts, etc. follow the principles of economy, efficiency, accountability and maximum consideration of cost-effectiveness. Please remember to also think of the environmental impacts.

KIOS monitoring and evaluation

You need to give a representative of KIOS the right to follow, monitor and evaluate the progress of the project. You need to provide all the necessary information to support the monitoring and evaluation, including access to the project accounts and other project-related documents. KIOS also has the right to inspect the materials and other purchases procured with the project funding provided. This right to inspection and information will also be valid after the completion of the project. The same rights are also given to the representatives of KIOS's main funder, the Ministry for Foreign Affairs of Finland.

Your project on KIOS's website

KIOS's website includes the list of projects funded by KIOS (http://www.kios.fi/en/projects/). If you do **NOT** wish to be included in these lists, please let us know.

KIOS also publishes press releases by our partner organisations on the KIOS website, so please send your news to us! News can relate to the human rights situation in the country or region of our partner organisations, for instance press releases based on human rights monitoring or information on threats to organisations funded by KIOS. KIOS will not publish advertisements or information on the activities or projects of our partner organisations. KIOS reserves the right to decide what to publish on its website. The press releases will be published on the KIOS home page under the heading "News from Our Partners" (see www.kios.fi).

Impact assessment

Besides evaluating the short-term impact at the end of the project, assessing the long-term impact is equally important, since changes in society often take a long time to materialise. We would therefore like to encourage you to conduct follow-up evaluations of concluded projects to determine what lasting impact the project has had in the long term.

12.   Annexes

Annex 1. Checklist for narrative reporting

On the backside of the cover sheet there is a checklist which is meant to help you to cover some of the issues of narrative reporting. Besides covering the questions on the checklist you can provide any other information you deem relevant. The cover sheet is available on the KIOS website www.kios.fi or you can ask for it by email from kios@kios.fi.

- **Did you carry out the planned activities?**
  Look at your original project plan and timeline. Which activities were carried out? Which phases were completed? Was the original project plan followed? How did you monitor the progress of the project?

- **Did you reach the expected objectives of the project?**
  Look at your original project plan. Which objectives did you reach? Were there any unforeseen positive or negative results or impact? What was the main result of the project in promoting or protecting human rights?

- **How did the beneficiaries, right-holders and stakeholders participate in the project?**

- **What obstacles and challenges did you face in the project's implementation? Was it necessary to make any changes to the project plan?**

- **Did you make any budget adjustments? Were there any budgetary problems, such as over or under budgeting?**

- **How did you carry out the monitoring and evaluation (internal or external) of the project?**
  How did beneficiaries participate in the project evaluation? What kind of feedback did they give?

- **How did your organisation benefit from the project?**
  Did the project lead to any changes in project planning, organisational development, policies, skills or attitudes? What were the main lessons learnt?

- **What is the short-term impact of the project on the promotion and protection of human rights? Is it possible to foresee any long-term impact?**

- **Do you feel the project was an appropriate response to the situation described in your project background analysis? Would you do something differently in the future?**

- **What are your plans for the follow-up of the project in the future?**

- **How did you experience the cooperation with KIOS? Do you have any advice or suggestions for KIOS?**

- **Please give us any other relevant information or details about the project or the organisation.**
  For example if there were any changes in the project's or organisation's personnel, if you received new donations, if your faced any security issues, etc.

- **Please attach samples of any project materials produced.**

Annex 2. Sheet for calculating voluntary work

Name of the organisation:
Name of the project:

Date	Person	Task	Started	Finished	Total hours	Price per hour*	Total value	Signature

* Price per hour (monetary value given for the voluntary work in local currency)

Annex 3. KIOS progress and final reports

Model for financial reporting sheet

Organisation	Project Number		
Received funds	**Date**	**Local Currency**	**EUR**
Granted fund			
1st instalment			
2nd instalment			
interest gain			
TOTAL AVAILABLE FUNDS		0,00	0,00
not received yet			

currency #JAKO/0!

Project expenses in local currency funded by KIOS	Approved budget in local currency	Real expenses in local currency	Variance / Balance (between approved budget and total expenses) in local currency	Explanatory notes to variances in the original budget
Budget line 1			0,00	
Budget line 2			0,00	
Budget line 3			0,00	
			0,00	
KIOS TOTAL (max 90 %)	**0,00**	**0,00**	**0,00**	
Self-financing in local currency				
Budget line 4			0,00	
Budget line 5			0,00	
Budget line 6			0,00	
			0,00	
Self-financing TOTAL (min 10 %)	**0,00**	**0,00**	**0,00**	
TOTAL projects costs (100%)	**0,00**	**0,00**	**0,00**	

Annex 4. Audit instructions (MINIMUM REQUIREMENTS)

This document contains audit instructions for projects funded by KIOS. KIOS asks that the grantee organisation gives these instructions to the auditor and goes through them with the auditor before he or she undertakes the work. These instructions have been written together with the representatives of the Ministry for Foreign Affairs of Finland which is KIOS's main funder.

The purpose of an external audit is to verify that the annual accounts provide a true and fair picture of the organisation's finances, and that the use of funds is in accordance with the aims and objects as outlined in the constitution.

An external audit can be conducted either as part of the annual review of accounts or as a special review by a donor agency. It is conducted by a firm of accountants with recognised professional qualifications.

Auditors are appointed by the Board of Trustees (or Annual General Meeting) or by a donor for a special audit. They are independent of the organisation employing them.

<u>**Scope**</u>

We ask you to conduct a special purpose audit concerning the development cooperation project funded by KIOS.

As a general condition for the development cooperation funding, the grantee organisation must observe principles relating to good governance and anti-corruption activities. Funding from KIOS may only be used to cover expenses considered to be necessary and reasonable in carrying out the project's activities. The grantee organisation shall, in its accounting, follow national generally accepted accounting principles (GAAP). The audit should be carried out in accordance with generally accepted auditing standards (ISA 800) and relevant national legislation and standards.

The nature of a project funded by KIOS is as follows:

- A project is not a legal entity but an accounting subject,
- It can include transactions in more than one legal entity (e.g. partner or subsidiary).
- It does not prepare statutory financial statements.
- The statements under audit are the financial project report and the list of fixed assets.
- The accounting is mainly on cash basis – there may be a few accruals.
- Fixed assets are not capitalised but recorded as cost when purchased.
- The materiality level in each audit finding is the equivalent of 200 euros.

<u>**Reporting**</u>

We ask you to send the auditor's report to KIOS in Finland both by email and by regular mail. The report should be in English or French and include the following items:

- Project number and name
- Implementing organisation
- Date of the Cooperation Agreement
- Reporting period and currency (preferably local currency)
- Exchange rate used in the Financial project report
- Total amount of budgeted income and expenditures, including self-financing and other funding
- Auditor's separate statement on the use of the Grantee's self-financing in cash and / or in kind, amounting to a minimum of 10 % of the total costs occurred.
- Total amount of actual income and expenditures (including balance from previous period)
- Closing balance (including cash, bank and other assets like advance payments and outstanding checks)
- Give the main findings and recommendations of the audit
- Auditor's name, position, address, phone, fax and e-mail
- Date, auditor's signature and authorisation

- Opinion on the issues below**
- Management letter***

Opinion

The auditor's report should offer an opinion on the following areas:

- Does the financial project report match the bookkeeping?
- Does the financial project report correspond with the Cooperation Agreement?
- Do the received funds match the bookkeeping?
- Does the bookkeeping match the vouchers?
- Are there proper vouchers for the transactions?
- Is there adequate bookkeeping, including a Journal and General Ledger?
- Do the changes in the List of Fixed Assets match the vouchers?
- Does the bookkeeping match the official bank account statements and Cash Book?
- Does the opening balance of funds correspond with the audit report of last period?
- Is the approved financial project report free of material misstatement?
- Are any received, yet unused funds properly recorded as a liability in the balance sheet and included in the ending balance of the financial project report?
- Are the recorded expenses in the financial project report in line with the approved original budget or activity plan? The report should contain an explanation of deviations greater than 15 percent.
- Is the internal control system of the management of the organisation adequate? Are there any material weaknesses that the organisation should improve?
- Do the salaries of the project personnel match existing, properly signed employment contracts, and does time recording exist?
- Have social security expenses, including pensions and taxes, been recorded and paid to the relevant authorities in accordance with national legislation?
- Does the organisation have copies of all valid essential contracts (government, trading, rental, lease, service agreement)?

*** Management letter (internal control letter)

Auditors should also provide a management letter. A management letter refers to a report to management indicating the auditors' recommendation for correcting deficiencies disclosed by the auditors. The letter identifies issues that are not required to be indicated or disclosed in the financial report, for example, it highlights weaknesses identified in the internal control systems, but contains the auditor's suggestions and concerns noted during the audit. Managers have an opportunity to respond to the findings outlined in the management letter and explain what action they will take.

Annex 5. Minimum standards for financial management in NGOs (by Mango)

A. Minimum Requirements	
Standard	**Why**
1. A valid supporting document for every transaction, (securely filed and stored for the minimum period required).	Protection for staff, evidence and details of transaction.
2. A cash book for every bank account, reconciled every month.	To organise and summarise transaction information; check for errors and omissions.
3. A Chart of Accounts – used consistently in the accounting records and budgets	Principle of consistency; to facilitate production of financial reports.
4. A budget detailing costs and anticipated income for all operations.	Planning, fundraising, control and reporting.
5. Clear delegation of authority – from governing body through the line management structure.	To know who is responsible for what and within what limits.
6. Separation of duties – sharing finance duties between at least two people.	To prevent temptation to steal and reduce opportunity to commit fraud; to share the load.
7. Annual financial statements – preferably audited by an independent person.	Accountability to stakeholders; transparency.
B. Good Practice	
8. Additional accounting records when staff are employed (wages book) or assets owned (assets register).	To meet statutory and audit requirements; for control purposes.
9. Budgets based on real activity plans, which include the full cost of running a project.	Realistic, more likely to meet targets.
10. Budgets with clear calculations and notes.	Easy to read and make adjustments. Easy to justify calculations.
11. Separate core costs budget.	Encourages active management and financing strategy for core costs.
12. Monthly cash flow forecast.	Helps to identify and take action to avoid short-term cash flow problems.
13. Use of cost centres when working with multiple donors and/or projects.	To separate restricted funds and related transactions; to facilitate reporting to managers and donors.
14. Funding grids, if more than one donor is funding an organisation or project.	To avoid double-funding situations and identify areas of shortfall.
15. Budget monitoring reports at least monthly to managers (and also regularly to beneficiaries).	To monitor progress; for control purposes.
16. Written policies and procedures, including a code of conduct for staff & board members.	To prevent confusion about organisation rules and expected practice.
17. Diversified funding base – mix of restricted and unrestricted funds.	Less vulnerable to financial shocks; helps to build up reserves.
18. A reasonable level of reserves.	Less vulnerable to financial shocks; helps overcome cash-flow problems

Annex 6. Internal controls: (by Mango)

Ref	Statement of best practice
4,1	Cash is kept safely in a locked cashbox or safe, in the custody of one individual
4,2	All cash received is banked intact, i.e. without any being spent (if no cash is received, score 5)
4,3	All cheques are signed by at least two authorised signatories
4,4	Cheques are signed only when all the details have been properly filled in (i.e. no signatories ever sign blank cheques)
4,5	Bank reconciliations are checked by someone who did not prepare them
4,6	There is a written policy detailing who can authorise expenditure of different types or value
4,7	All transactions are properly authorised
4,8	Cash payments are authorised by someone other than the cashier
4,9	Different steps in the procurement process, (e.g. ordering, receiving and paying) are shared among different people
4.10	Expenses claims for staff advances are checked by the same person who authorised the advance
4,11	Staff salaries (including advances and loans deductions) are checked each month by a senior manager
4,12	Statutory deductions (e.g. payroll taxes) are properly made and paid on time
4,13	All fixed assets (e.g. vehicles, computers, equipment) owned by the NGO are insured and controlled using a fixed assets register
4,14	There is an approved policies and procedures manual in place which is relevant to the organisation, and known by staff
4,15	A properly registered audit firm is selected by the trustees
	Total score for internal controls

Annex 7. Internal controls (by Mango)

It is important that financial systems are designed to make sure that as few mistakes are made as possible, and that the opportunities for misappropriation (in fact, theft) are minimised. A qualified accountant may have to inspect your systems once they are in place, but on an everyday basis, the management of the NGO is accountable. Some rules and management actions may reduce the risk:

- There should be written policies, procedures and rules to deal with financial management, and all staff should be made aware of them.

- Management should monitor its cash flow and compliance with the budget on a monthly basis, if not more often, to ensure no crises arise.

- Precise records should be kept, and every transaction should be recorded as it happens. Receipts should back up every expenditure. Annual financial statements should be accessible for all stakeholders, as well as staff. It makes sense to have an oversight board.

- Introducing a "payment voucher" system may make sense, whereby a senior manager approves each expenditure *before* it is made, unless it is a recurring cost, such as salaries or rent. But nobody should just go out and buy a computer! Written approval, a voucher, should be required. Or, alternately, staff should be given an individual limit how much they can spend in a given period, and their purchases should be reviewed afterwards.

- Larger purchases should be made in line with internal procurement standards. Often, the donor will impose its own – see the sample UNDP contract in the instructor's materials, for example, where the recipient Sudanese NGO is given specific procurement guidelines.

- Bank accounts should always be in the name of an organisation, not an individual. All requests for bank withdrawals, like cheques, should be signed by two people, or "two out of three", whose names and signatures have been deposited at the bank by the senior NGO manager (the only one also allowed to make changes). Keep all money in the bank – never keep more than "petty cash" in the office. Cheque books should be locked up.

- If you use cash, keep it secure, in a safe. Only one person, the "cashier", should have access to the cash. Receipts should be kept for each cash transaction.

- Segregation of duties: separating tasks, for example making sure that no person is solely responsible for an entire transaction, e.g., from ordering equipment to signing the check paying for it.

- If there is a suspicion of fraud, call in a professional auditor. It may be necessary to involve the police, making sure that any evidence is immediately secured, so the person who may have committed the fraud cannot destroy it.

- Engage a good auditor to go over your books on an annual basis, make recommendations for system improvements, provide a "management letter" with findings and recommendations, and produce an audit report.

13.   Additional guidelines

Mango, strengthening the financial management and accountability of humanitarian and development NGOs and their partners:

http://www.mango.org.uk/

Development Cooperation of the Civil Society Organisations: Project Guidelines, Ministry for Foreign Affairs of Finland:

http://formin.finland.fi/public/default.aspx?contentid=50603&nodeid=34673&contentlan=2&culture=en-US:

Anti-corruption Handbook for Development Practitioners, Ministry for Foreign Affairs of Finland:

http://formin.finland.fi/public/default.aspx?contentid=256264&nodeid=34606&contentlan=2&culture=en-US