

3.1. HOPE'87 MANUAL ON PROCEDURES¹

(to be read in conjunction with the statutes of HOPE'87, the Austrian Law of Associations, donor guidelines, signed relevant contracts and the relevant ToR for the Finance Officer)

INTRODUCTION

1. Accounting policy and procedure manual

This manual documents the basic policies and procedures HOPE'87 to record and monitor financial transactions. Documentation of accounting policies and procedures is important because it provides clarity regarding internal processes. In addition, it can be helpful to Country Offices (CO) and new staff of HOPE'87 while improving their financial management skills. The purpose is to help CO to:

- Record all financial transactions
- Monitor and control expenditures
- Satisfy statutory reporting requirements
- Ensure timely and accurate financial and management reporting to donors and grant-makers

In general, this manual should outline the areas covered in the following sections. An effort has been made to simplify these procedures, as the CO grows in terms of level of activity and number of donors, it will be necessary to update the procedure manual accordingly.

2. Accounting Policies

2.1 *Accounting convention*

The accounts of HOPE'87/the CO should be prepared under the historical cost convention. The day-to-day transactions should be recorded at the monetary value of the goods or services or fair market value of the donated services.

2.2 *Income*

Income represents grants from donors, members' subscriptions and interest received from bank deposits and on investments. Grants, cash donations and interest received from bank deposits and investments are recognised as income in the period in which they are received.

2.3 *Expenditure*

Expenditure is recorded on accrual basis. Payment is done by cheque or cash or CC.

2.4 *Taxation*

Provision for taxation payable is made as per law of the country of activity as it is expected that the CO will be properly registered. However, in general the CO should be exempted from any taxation, largely depending on the registered structure of the CO/organisation in the respective country. In case of doubt HOPE'87 HQ Vienna (HQ) or the donor have to be contacted and informed.

¹ (By courtesy of PriceWaterhouseCoopers Public Sector Services (Pty) Ltd and Bristol Myers Squibb Foundation Community Outreach and Education Fund)

2.5 Currency of account

The accounts of the HOPE'87/ the CO are created to reflect the budget line items of the approved programme budget. In addition, the accounts have to be recorded in EUR and/or in the currency of the country where the grant is used and/or as agreed by the grant-maker.

2.6 Exchange rate policy

There are different systems for recording expenditure in different currencies, for example using the rate on the first day of the month, the rate on the actual day or weighted monthly averages.

If there are no specific donor requirements for a certain exchange rate system to be applied (eg. the use of monthly accounting rates of *InforEur*), the Country Office can choose which system of conversion is applied, on the condition that the following essential requirements are respected:

- it is written down as an accounting rule (=it is standard practice) and has been approved by the CFO of HOPE'87 HQ;
- the system or rule is applied consistently;
- the system gives equal treatment to all types of transactions (and funding sources); and
- the system can be demonstrated.

2.7 Main office/local offices/local partners

For HOPE'87 Country Offices (CO) as well as local partners local bank accounts have to be introduced. The HOPE'87 General Secretariat (=HQ) bears overall responsibility for distribution of funds to CO or projects. The transfer of funds to the CO or local partner are made according to the programme budget, project milestones and should be sufficient to meet the project requirements. This is necessary to allow HQ control over / tracking project finances and programmatic progress. HOPE'87 HQ monitors and ensures proper expenditure accountability by the CO. In addition, HOPE'87 HQ also consolidates expenses incurred at the CO or local partner level for reporting purposes.

3. Summary of Procedures

Purpose and objectives of the accounting system

The objectives of the HOPE'87 accounting system are:

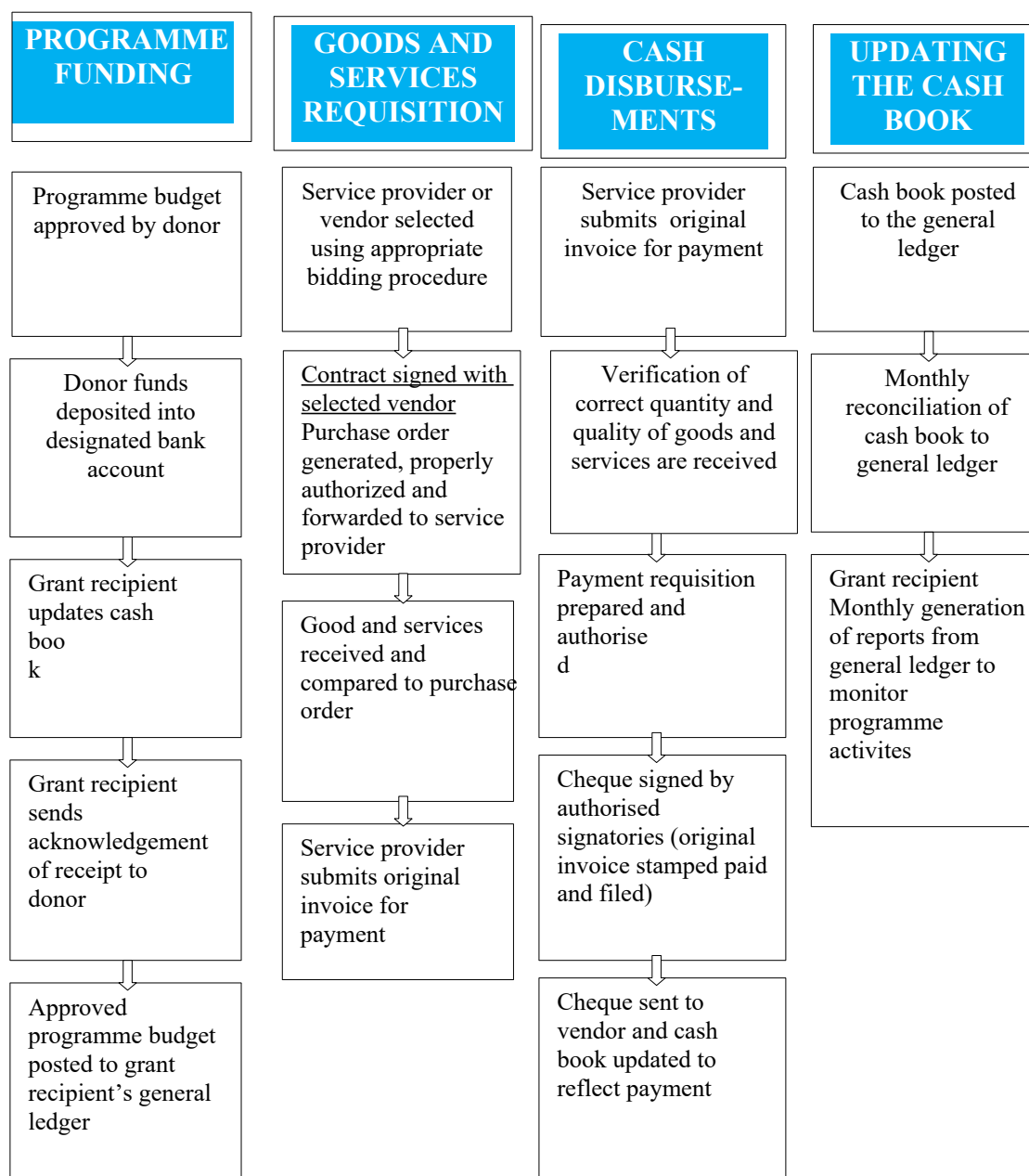
- To record and classify all transactions accurately and completely
- To maintain a complete record of all:
 - Income** received
 - Expenditure** incurred
 - Assets** owned
 - Liabilities** due to third parties
- To report to donors on all required financial information

Process descriptions:

- a) *General ledger*: The main accounting record maintained using double entry book-keeping.

- b) *Cash book/Bank book*: Income and payments are recorded in cash book which is maintained chronologically on daily basis for the days of activity representing all transactions either on cash or through bank.
- c) *Budget and expenditure*: Record budget and actual expenditure by budget code on a monthly and cumulative basis.
- d) *Fixed assets*: Maintain manual records of all assets.
- e) *Travel*: Record transactions relating to travel.
- f) *Procurement*: Record transactions relating to procurement of goods and services.
- g) *Payroll*: Record transactions relating to compensation of employees (i.e. salaries, gratuities and incentives).
- h) *Reporting*: Prepare monthly, quarterly and/or annual reports.
- i) *Journal*: in normal course of accounting maintains all adjustment entries. However CO's are instructed to record all invoices through Journal for easy tracking.

Interface description



4. General Ledger

Purpose of general ledger procedures

The main accounting record maintained using double entry book-keeping. The General Ledger Accounting System is designed to improve the timeliness and quality of information available to the HOPE'87 management. Financial information includes information on assets, liabilities, revenue, funding and expenses.

The Finance Officer and the supervising CFO are responsible for producing all final general ledger outputs. Among the principal responsibilities are:

- Receipt and coding of all source information into the general ledger
- Verification and input of the information related to expenses, budget, funding, revenue, assets and liabilities
- Production and distribution of general ledger reports to the board and other qualifying parties

The source of data for the general ledger system is the other sub-systems: budgeting, fixed assets, cash and payroll systems. This data should be used in the preparation of management and financial reports.

The general ledger should have separate accounts for each budget line for each of the donors. This will make the preparation of donor specific financial statements easy.

The monthly postings to the general ledger are cash based. As HOPE'87 accounts on an accruals basis, year-end accruals for creditors, debtors and prepayments should be recorded to convert the accounts to an accruals basis.

General ledger procedures

This consists of the following activities:

- Record expenditure by project activities
- Record other payments not relating to projects
- Record grants and other income received during the month.
- Extract monthly trial balance
- Identify and record (pass) journal entries for accrued charges and prepayments (if required)
- Prepare end of year trial balance
- Reverse year-end accruals after close of financial year. This is required to avoid overstatement of expenses.

5. Cash Management and Disbursements

Please also refer to HOPE'87 Guidelines on Cash Advances and HOPE'87 Manual on Cash Handling.

5.1 Purpose of cash management and disbursements

The purpose of cash procedures is to ensure that:

- All cash received is properly accounted for
- All cash received is deposited intact in the respective bank accounts. Ideally, a separate bank account should be opened for each donor and/or project. If this is not possible, then a separate cost code within the general ledger should be maintained
- There is separation of responsibility of handling the cash/cheques and that of

recording

- All cash transactions are properly captured by the general ledger system
- All payments are properly verified and approved prior to payment
- All creditor payments are made by cheque/bank transfer
- All vouchers and supporting documentation are properly stamped "paid"
- Proper and timely bank reconciliations are prepared and independently reviewed.

The key steps in preparing a bank reconciliation are:

5.1.1 Compare the bank statement and the cash book balance. Tick off all items which are in both records. Check the bank statement itself also for accuracy of additions.

For the unmarked items:

5.1.2 Record all bank charges into the cash book.

5.1.3 Identify and record in the cash book any other debits on the bank statement which are not in the cash book.

5.1.4 All reconciling items should be examined for genuineness and any unusual items investigated.

5.1.5 On completion of the above, prepare a reconciliation as follows:

Balance per bank statement *Less:* Unpresented cheques *Add:*
Outstanding lodgements (eg. deposits in transit) Cash book
balance.

5.1.6 Present the bank reconciliation to the Financial Director/CFO for review and approval.

5.1.7 File the approved bank reconciliation in a "reconciliations" file. Prepare bank reconciliations on a monthly basis.

5.2 Donor requirements

HOPE'87 can only incur expenses and charge donor grants if the payments are reasonable, allocable and allowable. The following is an explanation of these terms:

a) *Reasonable*: Costs that are generally recognised as ordinary and necessary and would be incurred by a prudent person in the conduct of normal business to carry out the grant.

b) *Allocable costs*: Costs that are incurred specifically for the grant may be charged to a line item within the approved grant budget. A cost must be beneficial to an award, directly or indirectly. Generally, this means that a cost must be incurred in order to perform the work of the award; or it must be incurred in a way that benefits the award or other activities of the grantee institution. There are, however, certain types of institutional costs that are restricted from being charged to a particular award because they provide so little benefit to the award.

c) *Allowable costs*: Shall mean those costs that conform to any limitations of the grant. To be allowable under the general standards a cost must:

- Be necessary for the performance of the grant agreement
- Be net or less any applicable credits such as purchase discounts, rebates, etc
- Conform to any limitations or exclusions in the award
- Be treated in the same fashion as costs incurred by the grantee with non-donor funds
- Be determined in accordance with generally accepted accounting principles applicable to the type of grantee
- Not be included as a charge to other projects/ programmes in the current or prior

- period
- Be adequately documented

6. Budgeting and Budgetary Control

6.1 Purpose of budgeting and budgetary control procedures

The purpose of budgeting and budgetary control procedures is to:

- Prepare annual and/or operational budgets
- To record daily expenditure by HOPE'87
- To record cumulative expenditure to date by budget code
- To compare and monitor cumulative expenditure by budget code to the original (or revised) budget allocations from donors.

These procedures should satisfy the requirements of the donors funding HOPE'87.

Information from the budget book can be used in the budget-monitoring sheet for reporting and also for assisting in controlling expenditure.

Ideally, the budget book should be maintained on a computer spreadsheet. This makes it easy to update and amend.

Budget and expenditure procedures

Principal activities that should be performed:

- a) Prepare annual work programme and budget.
- b) Prepare operational budgets.
- c) Record the original (or revised) budget for the financial year.
- d) Post daily expenditure to the budget book, record cumulative expenditure and monitor remaining budget.
- e) Obtain donor approval in advance for revisions of budgets.

6.2 Donor requirements

HOPE'87 has to report deviations from budget and programme plans and request prior approvals for budget and programme plan revisions. Approvals are usually required by donors for each of the following reasons:

- a) Change in the scope or the objective of the project or programme (even if there is no associated budget revision requiring prior written approval).
- b) Change in key management personnel specified in the application or grant agreement.
- c) The approved project staff members increase or reduce their time devoted to the project by more than 25% or are absent from the day-to-day operations of the project for more than two months in one year.
- d) The need for additional donor funds.
- e) The transfer of amounts budgeted for indirect costs to absorb increases in direct costs or vice versa.
- f) Transfer of funds allotted for specific expenditures to other categories of expenses.
- g) The inclusion of costs prohibited by the grant agreement. Such costs may include, but are not limited to advertising, bad debts, contingencies, entertainment, fines, penalties, interest, fund-raising, investment management costs, lobbying, losses on other awards and first-class airfare.

HOPE'87 has to notify donors if funds are transferred between budget lines and the cumulative transfers are expected to exceed 10% of the total budget.

When fund-raising from multiple donors, HOPE'87 should notify specific donors in writing when the amount of donor funds is expected to exceed the grant recipient needs by more than EUR 5 000 (or other pre-agreed amount) or 10% of the grant, whichever is higher. This notification shall not be required if an application for additional funding is submitted for a continuation award. This process ensures that funds from more than one donor are not applied for the same project or expense.

The grant recipient should not spend the funds until guidance is given by the donor on how to utilise the excess funds.

7. Fixed Assets

7.1 Purpose of fixed asset procedures

The purpose of fixed asset procedures is to ensure:

- HOPE'87's assets are safeguarded by recording their details and monitoring their location and condition.
- All movements of fixed assets are accounted for in the general ledger.

These procedures provide guidance for introducing a manual fixed asset register and updating it for additions and disposals, as well as recording movements of assets in the general ledger.

7.2 Fixed assets and depreciation

Fixed assets are defined as tangible assets, which have been acquired either through purchase or donation with the intention of being used on a continuing basis for a period exceeding one year. All assets whose price exceeds EUR 500 (or otherwise fixed by the law) have to be included in the HOPE'87 fixed asset register. Assets under this value should be monitored, but do not require inclusion in the fixed asset register.

Fixed assets can be grouped into categories, such as Motor Vehicles (MV) Office Equipment (OE) Office Furniture and Fittings (OF) Computer Equipment (CE) Leasehold Improvements (LI) a.o.

Fixed assets should be recorded at cost of purchase price or market value for donated assets.

Scheduled depreciation is performed on a linear basis according to the anticipated useful economic life of the assets.

Low value items up to an individual purchase price of EUR 400 are written off in the year of acquisition and simultaneously treated as disposals.

Scheduled depreciation is based on the following useful lives:

Software 3 years

Tools, Furniture and Fixtures 3 – 5 years

7.3 Fixed asset tag numbers

The tag numbers for the office equipment, furniture and fittings and computer equipment should be based on the asset class. An easy way of recording in the fixed asset register is to use a three-digit tag number in the format of the following example: ADA/OE/015. ADA designates the donor (= "Austrian Development Agency"). The digits OE indicates the asset category (Office Equipment) while the last three digits represent the asset number in chronological order, starting with 001. For motor vehicles, the registration number should be

sufficient for identification purposes.

7.4 Fixed asset procedures

Principal activities that should be performed:

- a) Record opening balances of existing fixed assets in the asset register (either at cost for asset purchases or fair market value for asset donations).
- b) Update the asset register for additions in the month of purchase or donation.
- c) Update the asset register for disposals in the month of disposal.
- d) Record additions and disposals of fixed assets in the general ledger.
- e) Where applicable, calculate and record depreciation.
- f) To have an effective fixed asset register, the following steps should be followed:
 - Prepare a listing of fixed assets donated by each donor during the year
 - Prepare a listing of fixed assets purchased by the grant recipient during the year
 - Verify existence of each item on the lists above by performing a physical inventory count
 - Assess the condition of the assets and their location
 - Assign asset tag numbers or a suitable reference number to each asset

7. To create an asset register, record individual assets in the register by entering the following headings:

- a) *Name and description* – Record the name and description of the asset.
- b) *Cost* – Original purchase price or fair value donated.
- c) *Supplier* – Record the source of the asset.
- d) *Purchase reference* – Provide a reference to the procurement/ payment documents.
- e) *Date of purchase* – Record the date of purchase.
- f) *Location* – Record the present location of the asset through inspection.
- g) *Condition* – Record the present condition of the asset (excellent, good, fair and poor).
- h) *Asset number* – Record the asset number (tag number) where numbers are being assigned.

8. Extract a list of opening asset values posted to the manual fixed asset register and check that the totals agree with the initial listings.

9. The Project or Programme Administrator/COM should update the fixed asset register as follows:

- Perform an annual physical inventory count to confirm the existence and condition of the fixed assets
- Record any fixed asset additions
- Record any fixed asset disposals
- Remove fully depreciated or obsolete assets from the fixed asset register

8. Travel

8.1 Purpose of travel procedures

The purpose of travel procedures is to ensure that:

- All travel, international or otherwise is adequately planned for in advance
- All travel expenses are for properly authorised travel on official business and are incurred at the correct rates

- All travel advances are properly and completely accounted for before they are expensed
- All donor requirements relating to international travel are adhered to

Travel procedures

There are three principle activities:

- Preparation of proposed itinerary for planned travel
- Authorisation of travel
- Accounting for travel advances

8.2 Donor requirements

Prior approval for any intended travel must be obtained. HOPE'87 will advance/reimburse staff/ consultants for any pre-authorised expenses incurred in travelling on authorised travel and/or on official business. The amount advanced/reimbursed should be based on the rates advised from time to time by the CFO. The rates should be based on cost of travel, accommodation and food in the specific location.

All international air travel shall be economy class. Any use of business class travel has to be specifically approved by the CFO or the SG.

The Country Representative (or CFO) has to ensure that for donors with specific travel requirements, these requirements are adhered to.

9. Procurement of Goods and Services

See HOPE'87 Procurement Rules

10. Reporting Requirements

See HOPE'87 Reporting Requirements

11. Payroll

11.1 Purpose of payroll

The purpose of payroll procedures is to ensure that:

- Employees are paid in accordance with letters of appointment
- Payments to employees are properly accounted for
- Statutory and voluntary deductions are properly accounted for and remitted to the appropriate authorities
- Salary advances are properly accounted for and recovered from salaries

11.2 Payroll procedures

The payroll procedures are described below under the following headings:

1. Personal payroll records
2. Salary advances
3. Preparation of payroll
4. Part-time employees
5. Payments and accounting entries
6. Incentives

Detailed instructions for payroll preparation

1. Personal payroll records
 - The CFO (for HQ staff) and the Finance Officer or Country Representative have to prepare a personal payroll record for each employee.
 - This information should serve as a guideline for developing permanent record of standard data to be included in the monthly payroll for each person. The main sources of information are:
Engagement letters – Discharges – Promotion notifications – Notification of changes in basic pay – Leave entitlement – Disciplinary actions
 - The CFO and the Finance Officer or Country Representative have to maintain a personal record for each employee.
 - The CFO and the Finance Officer or Country Representative should regularly check the payroll data and verify information against the personal payroll records.

2. Salary advances
 - The procedure for the preparation of salary advances should be as follows:
 - List of names is prepared for all employees wishing to draw salary advances
 - The list is passed to the Country Representative/CFO for approval
 - A cheque/bank transfer is prepared for the total amount to be paid
 - In case of a cheque, payment is made by the cashier to the employee who has to sign against his/her name on the list as evidence of receipt

Note: Salary advances should be restricted to a reasonable percentage of the employee's monthly. This percentage should be within a reasonable range, which is predetermined by management.

 - When an employee requests for an advance, the employee should complete a Request for Salary Advance form in duplicate by filling in the following details:
–Date – Name of employee receiving advance – Section/Area – Reasons for the advance – Amount of the advance – Employee signature
 - Salary advances have to be approved by the Country Representative or SG (for HQ) or Chairperson of the board (for SG)
 - After obtaining the necessary approval, the copies are distributed as follows:
 - Original to accounts department:
 - ☐ To effect salary advance to employee
 - ☐ To update the salary advance register
 - Duplicate to be provided to the employee as receipt

3. Preparation of payroll
 - The payroll should comprise of an individual salary slip, individual payroll and a payroll analysis sheet.
 - In preparing the monthly payroll, the following procedures should apply for each employee:
 - Basic pay should be entered
 - Entry should be made for any allowances
 - Salary-related employee deductions (medical aid and pension contributions) should be calculated from published tables and other records, and the

- employee's contribution entered in the relevant column on the payroll.
 - Any repayment of advances should be entered
 - The total of all deductions should be calculated and entered and this amount deducted from the gross pay to give the net amount payable to the employee
 - A list of employees receiving their salaries through the bank should be prepared.
4. Part-time employees
- The Country Representative/ CFO (for HQ) is responsible for hiring part-time employees. Hiring part-time employees should depend on the programme for the year and there should be a budget for the service.
 - Upon recruitment, the Finance Officer/ CFO has to maintain a register of all the part-time employees together with the number of hours worked each period. The source of information for the register should be claim forms completed by the part-time employees and signed by the Project Officer/Administrator/ HQ Desk Officer
5. Payments and accounting entries
- A payment voucher should be prepared for the net pay as per the payroll summary sheet.
 - At the same time, from the payroll summary sheet, a journal voucher should be prepared to update the books of accounts.
6. Incentives
- Incentive schemes should be widely communicated and equitably applied and documented for.
 - Incentives should only be paid once earned or achieved. Incentives should not be paid in advance.

12. Country Office/Country Representation Accounting

12.1 Purpose of country office accounting

The purpose of country office accounting procedures is to ensure that:

- country office expenditure is paid for promptly to avoid unnecessary delays
- country office expenditure is fully captured for inclusion in the grant recipient's financial records
- Accounting documents for country office expenditure are accumulated, and promptly submitted to Head Office for consolidation
- country office expenditure is properly accounted for standing imprest

The standing imprest procedures are described below under the following main headings:

1. Size of float
2. Disbursement of floats to area offices
3. Unretired imprest

1. Size of float

- The CFO in consultation with the CR establishes the size of the float for each country office. The size of the float should be based on the following criteria:
 - Size of the Country Office or sub-recipient and average expenditure per month
 - Projects and activities planned for that Country Office during the next reporting period or for the year

- Communication logistics
 - Average time required for the Country Office to communicate with Head Office bearing in mind postage delays, head office review and remittance procedures
 - Available funds/ grants for the particular Country Office
 - After establishing the size of the float, the CFO prepares evidence showing amount of disbursements and expected date of retirements. The information is kept by the Country Office Accountant as a control device to follow up on unretired imprests.
2. Disbursements of floats to area offices
- At the beginning of the grant, the Headquarter sends to the Country Office or sub-recipient an opening float, with a size determined by HQ as being manageable by the recipient and covering, on average, expenditure for six months. The amount is sent as an imprest. A letter containing the details of the amount transferred is sent to the recipient for follow up and record keeping.
 - The bank, on receiving the remittance will also advise the recipient by a bank advice, which is filed along with the notification from Headquarter.
 - On receipt of funds from Headquarter, the recipient records the transfer in the receipt column of the cash book.
 - Subsequent disbursements from Headquarter should be effected only when previous disbursements have been accounted for. In exceptional cases (e.g. in urgent humanitarian matters) the CFO is authorised to make further payments without a financial report that states how previous disbursements have been accounted for.
3. Unretired imprest
- The CFO will follow up unretired imprests and report this to the SG
 - The Country Office Accountant should assist the offices in carrying out monthly reconciliations and investigating differences if any. The reconciled office balances form the supporting schedules for cash balances when preparing year-end financial statements.

3.2. HOPE'87 REPORTING GUIDELINES

1 Purpose of reporting requirement procedures

The purpose of the reporting requirement procedures is to define the type, content and frequency of reports.

HOPE'87 is required to prepare the following types of reports:

- Financial and programme reports to management and board of directors
 - Financial and programme reports to donors
 - Statutory reports (e.g. annual audited accounts)
- Reports may be prepared monthly, quarterly, semi-annually and/or annually depending on the needs of each category of users.

2 Donor reporting requirements

2.1 Financial status reports

Assuming that HOPE'87 will receive periodic instalments from donors, the following requirements should be complied with by COs:

- a) Periodic instalments to local partners should be limited to the minimum amounts needed to meet current disbursement needs and should be scheduled so that the funds are available to the local partner/grant recipient as close as administratively feasible to the actual disbursements by the local partner/grant recipient for programme costs.
- b) Funds of one donor should not be commingled with recipient owned funds or controlled funds. The local partner/grant recipient should deposit all donor grant payments in a separate bank account and then make all disbursements for goods and services from this account.
- c) After the initial grant payment, the local partner/grant recipient shall submit, on a monthly (or quarterly or half-yearly if so agreed) financial reports to the donor including:
 - Cumulative detailed report on disbursements by approved total budget line item showing the disbursements for the current month/quarter/half year separately, and also the cumulative expenditure to reporting date
 - A cash flow statement and bank reconciliation
 - A certificate (statement) dated and signed by the Programme Director, Programme Manager and/or Accounting Officer of the organisation receiving the funding
- d) This report should be prepared monthly (quarterly or bi- annually if so agreed) and a final report is required at the completion of the grant or co-operative agreement.

2.2 Annual reports and audit requirements

- a) HOPE'87/the CO/local partner/grant recipient are all subject to the audit requirements as indicated in the grant agreements. Furthermore, the Country Representative (CR) has to ensure the organisation complies with statutory audit requirements.
- b) For the audit to be carried out, the local partner/grant recipient may be required to prepare annual accounts for his/her whole organisation. The local partner/grant recipient has to select an independent auditor. The audit shall be

- a financial audit performed in accordance with Generally Accepted Auditing Standards of the local country and shall determine whether the grant funds have been used in accordance with the grant agreement.
- c) The audit report should be submitted to donors within 30 days after the completion of the audit, but the audit should be completed no later than 12 months after the close of the local partner/grant recipient's fiscal year. The donor will review the audit report to determine whether it complies with the audit requirements of the grant agreement.
 - d) The CO has to prepare annual financial statements within 60 days after the end of the financial year.

2.3 Performance (narrative) reports

- a) The CO is responsible for monitoring the performance under grants and co-operative agreements and, where appropriate, ensure that time schedules are being met, projected work units by time periods are being accomplished, and other performance goals are being achieved. This review shall be made for each programme, function or activity of each grant as set forth in the grant agreement.
- b) Donors should prescribe the frequency with which the performance reports are required. Reports are normally required by donors half-yearly or annually. Annual reports are usually due 60 calendar days after the grant year. Quarterly reports- if required- should be due 30 days after the reporting period. The final performance reports are due 90 calendar days after the expiration or termination of the award.
- c) Monthly Progress Reports (MPR) have to be prepared by the CO for each month and for each project and sent to HQ (the desk officer) with a period of grace of 15 days (with exception of a month in which an interim or final report is due). An MPR has to give the desk officer information about activities undertaken, the percentage of achieved indicators with reference to the expected results and specific objective of the action as laid down in the Logical Frame (LF), any problems encountered and steering measure adopted. A format for MPR has been issued.
- d) Performance reports shall generally contain, for each award, brief information on each of the following:
 - A comparison of actual accomplishments with the expected results, specific and overall objectives established for the period by the Logical Frame (LF). Whenever appropriate, and the output of programmes or projects can be readily quantified, such quantitative data should be related to cost data for computation of unit costs
 - Reasons why established goals were not met and steering measures
 - Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs
 - Lessons learnt during the reporting period
- e) The CO has to submit an electronic version of the performance reports.
- f) The CO has to immediately notify the HOPE'87 HQ of developments that have a significant impact on the award-supported activities. Also, notification should be given in the case of problems, delays, or adverse conditions which materially impair the ability to meet the objectives of the award. This notification should include a statement of the action taken or contemplated, to resolve the situation immediately.

Summary of reporting procedures

- Preparation of quarterly/bi-annual or annual financial reports to donors/ management
- Preparation of monthly progress reports to be submitted to HQ
- Preparation of final financial reports for each grant
- Preparation of quarterly/Bi-annual and final performance reports

3 Specific reporting requirements for humanitarian projects funded by DG ECHO

3.1 Reporting Requirements for FPA 2008

The following section is based on DG ECHO Guidelines for Final Financial Reporting and refers to the legal framework (Framework Partnership Agreement - FPA) between DG ECHO and HOPE'87.

In reference to the FPA 2008 General conditions, Article 10 (Reporting), HOPE'87 shall give the European Commission (EC) full information on the implementation of the funded action. To this end, HOPE'87 shall submit narrative and financial reports pertaining to the whole action, regardless of the European Union contribution.

Narrative reports shall be drafted using the DG ECHO standard format defined in Annex I of the FPA (Single Form) and shall allow comparison between the objective and results envisaged and those actually achieved and between the activities envisaged and those implemented.

Financial reports shall provide a clear identification of all expenses actually incurred and related information on the eligibility of costs as well as of the contributions and revenue of the action.

3.2 Intermediate report and final reports

Unless otherwise specified in Article 4 of Special Conditions, HOPE'87 shall submit an Intermediate report, a Final narrative and a Final financial report.

The **Intermediate report** shall be made on the standard Single Form, Annex I of the FPA, and focus on the state of implementation of the action, providing a complete account of the implementation of the action for the period covered.

The **Final narrative report** shall also be made on the standard Single Form and shall provide an overview of the implementation of the action. HOPE'87 shall assess the level of achievement of the objective and results envisaged in the proposals.

The **Final financial report** shall focus on financial information related to the action. Financial reports shall be derived from HOPE'87's financial and accounting system and, as the case may be, the system of the implementing partners.

The final financial report will be organised around chapters. The structure of the final financial report will follow the headings used in the left column of the table in Section 11 of the Single Form. HOPE'87 can use its own format for the financial report. No original or copies of invoices, contracts or order forms have to be added to the final financial report, the only exception are for copies of study, evaluation or audit reports in case the respective costs being claimed under the direct costs.

In the tables and lists provided with the Final Financial Report, costs should be expressed in the clearest terms in order to be understandable and traceable. The person drafting the

report should try to be as specific as possible in the description of the different categories and/or items of costs.

In the final financial report, the following types of costs have to be identified:

- Personnel costs,
- Equipment costs (low value equipment allowances, depreciated equipment or equipment fully charged to the action)
- Consumable and running costs,
- Service, works and transport contracts costs,
- Communication, visibility and information costs
- And other eligible costs.

For more details about eligibility issues and minimum information required for each of the above-mentioned types of costs, please read carefully DG ECHO Guidelines on Final Financial Reporting Chapter 3-4.

Together with the final reports, HOPE'87 will submit a payment request identifying the amounts pre-financed, the expenditure engaged and the balance requested from the European Commission.

The following information shall be annexed to the final financial report **if applicable**:

- List of expatriate and key management staff
- List of other persons (e.g. local staff, day labourers)
- List of HQ staff directly involved in the Action (except traditional HR and administrative functions)
- List of other personnel costs
- List of Allowance of low value equipment
- List of depreciation of equipment
- List of fully charged equipment
- Supporting documents for donation of fully charged equipment or remaining stock
- List equipment or remaining stocks transferred to another EC funded Action
- List of goods
- List of stationery and running costs
- List of Service / Transports/ work contracts
- List of Studies/audits/evaluations
- List of Communication, Visibility and Information costs
- List of miscellaneous costs
- List of procurement

The final financial and narrative reports must be submitted within three months after the end of the implementation period of the action via the electronic exchange system APPEL.

Any drafts of the Intermediate, Final narrative and final financial report shall be sent from the respective CO to the HQ Desk Officer / Director Humanitarian Aid for final checks and it will be the responsibility of HQ staff to finalize upload and submitting the reports.

3.3 Update on specific reporting requirements under FPA 2014

Following the release of a new version of the Framework Partnership Agreement (FPA 2014) by DG ECHO and the signature of this Agreement by HOPE'87 on the 9th December 2013, a new legal framework applies to projects funded by DG ECHO. The legal requirements for reports to be submitted to DG ECHO for all projects concerned by the FPA 2014 are as follows:

As per the General Conditions (Annex II of FPA 2014) Article 16, HOPE'87 shall only submit an Interim Report where specified in the Specific Grant Agreement.

As for the **Final Financial Report**, it shall provide a clear identification of all costs incurred as well as of the contributions and revenue of the Action. The Financial Report shall be composed of:

- (i) the Financial Overview of the Action provided in the Single Form;
- (ii) the Financial Statement annexed to the Single Form, providing a breakdown by nature of expenditure of the amounts claimed by HOPE'87;
- (iii) the general ledger of the Action annexed to the Single Form, classified by the nature of expenditure claimed; and
- (iv) When relevant, information annexed to the Single Form on transferred or donated equipment pursuant to Article 10(3)(a) and 10(3)(b) of FPA General Conditions, on low value equipment referred to in Article 10(3)(d)(ii) FPA GC, and on remaining goods referred to in Article 10(4)(a) and 10(4)(b) of FPA GC.

In principle, all communication relating to a Specific Grant Agreement shall be made in writing via the electronic exchange system (APPEL). The format of the Single Form (in ePDF-Application) shall be used for reporting.

3.3. HOPE'87 GUIDELINES FOR SHARED COST KEY

1 Purpose

These guidelines are prepared for use at the HOPE'87 Country Offices (CO). The expenses incurred at the CO can be booked in different ongoing projects. The purpose of these guidelines is to share the costs incurred at the CO among different projects in a fair and transparent manner and the risk of any double funding is eliminated.

2 FACTORS FOR SHARED COSTS

The HOPE'87 Country Offices (CO) implement projects of diversified nature and themes, with different levels of difficulty. There are several factors attributable to projects that can effect the costs incurred at the COs. Therefore, cost sharing on a linear basis (simple division among the projects) is not advisable.

A number of factors can effect the costs incurred at the country offices. A brief discussion of these factors is as under. (NOTE: The shared cost key that is calculated on the basis of these factors does not apply for personnel costs, as these are calculated on basis of timesheets indicating the percentage of worktime spent on each project.)

Project budget amount: One of the prime factors. A large project, with a large project budget is likely to require more resources, time and energy at the country offices.

HOPE'87 Country office share: Generally speaking HOPE'87 engages and involves local partners in the implementation of projects (or as a local partner as the case may be). By involving the local partners, some part of the total budget is made available to the local partner within the limits and boundaries of the project documents (logframe, project proposal, budget, contracts etc.). If a significant portion of the budget is spent through the local partner, the costs incurred at the country offices would be reduced and vice versa.

Project duration: The project duration has a direct bearing on the costs incurred at the CO.

Project staff on payroll of the HOPE'87 Country Office: As mentioned above HOPE'87 generally engages and involves local partners in the implementation of projects. Some of the project staff remain on HOPE'87 payroll. This number varies from project to project depending on the nature. The more staff on HOPE'87 CO payroll means more administrative work related to that project at the country office.

Development / Humanitarian aid project: Although the individual projects can be categorized in to several different themes, however, the nature of the projects can be divided between either Development aid project or Humanitarian aid project. Development aid projects are usually implemented in stable environments. Whereas humanitarian aid projects are implemented sometimes in unstable environments or in areas where the regular services, logistics and support mechanisms are destroyed or damaged. For development projects, a score of 1 is assigned. Whereas, for humanitarian aid projects a score of 2 is assigned as they are more intensive projects

Capacity of partner: The capacity of the local implementing partner (or the lead partner, as the case may be) has a direct bearing on the time and effort required

from the country offices towards a particular project. A strong local partner would require less effort from the CO and vice versa. The capacity of the partner organisation is assigned a score from 1 to 10, defined by a CO-specific questionnaire. With 1 assigned to an organisation having good experience, skills and management systems and 10 assigned to weak partners.

Distance to project site: The physical distance to the project sites can be a factor that effects the costs incurred at the CO. Project sites at far away distance from the country office tend to draw more time and energy.

Number of hours of travel (one way): This factor may seem overlapping with the above factor related to the distance of the project site. However, the travel time to a site is not a factor of distance only. The travel times required may be more due to very poor (or non-existent) roads, terrain or security situations.

Other factors: In duly justified cases, the CO may decide to include more or other diversified factors that may have a bearing on the shared costs. In such cases the Country Representative will seek guidance and approval of the Secretary General of HOPE'87 for inclusion of any such additional factors.

SHARED COST CALCULATION:

	Project A	% of total	Project B	% of total	Project C	% of total	TOTAL
Project budget amount in Euro	A1	$A1/T1 \times 100$	B1	$B1/T1 \times 100$	C1	$C1/T1 \times 100$	T1
HOPE'87 PK share of budget	A2	$A2/T2 \times 100$	B2	$B2/T2 \times 100$	C2	$C2/T2 \times 100$	T2
Project duration in months	A3	$A3/T3 \times 100$	B3	$B3/T3 \times 100$	C3	$C3/T3 \times 100$	T3
Project staff members on HOPE'87 Payroll	A4	$A4/T4 \times 100$	B4	$B4/T4 \times 100$	C4	$C4/T4 \times 100$	T4
Development / Humanitarian aid	A5	$A5/T5 \times 100$	B5	$B5/T5 \times 100$	C5	$C5/T5 \times 100$	T5
Capacity of partner	A6	$A6/T6 \times 100$	B6	$B6/T6 \times 100$	C6	$C6/T6 \times 100$	T6
Distance to project site	A7	$A7/T7 \times 100$	B7	$B7/T7 \times 100$	C7	$C7/T7 \times 100$	T7
Number of hours for travel (one way)	A8	$A8/T8 \times 100$	B8	$B8/T8 \times 100$	C8	$C8/T8 \times 100$	T8
total %		$A9 = \sum \text{of above}$		$B9 = \sum \text{of above}$		$C9 = \sum \text{of above}$	T9
%age of shared cost charged to each project		$A9/T9 \times 100$		$B9/T9 \times 100$		$C9/T9 \times 100$	100

$$T = A + B + C + \dots$$

3.4. HOPE'87 Policy on Cash Advance (also refer to the HOPE'87 Cash Handling Guide)

1. Overview

Cash handling and cash advances are subject to all HOPE'87 rules and guidelines, especially but not limited to procurement rules and to the „Manual on Procedures“.

A cash advance is, in essence, a loan from HOPE'87 HQ's or of a Country Office's general or projects funds made to an individual or partner to provide a temporary source of funds for conducting official HOPE'87 business that cannot be paid for using traditional methods (i.e. purchase orders, check requests, bank transfer). A cash advance must not exceed 3.000 EUR and has to be authorized by the CFO on HQ level and by the CR on Country Office (CO) level. Exceptions of this rule have to be authorized by the CFO and the General Secretary on HQ level and by the CR and the CFO on CO level.

A cash advance cannot be issued for more than a three-month period. If funds are needed for a longer period, an additional advance may be requested near the end date of an outstanding advance. At the end of the activity for which the funds were requested, the recipient must reconcile the expenditures against the advance. Any amount that was not spent must be returned to HOPE'87.

Cash advances are intended to be used after all other procurement methods have been appropriately utilized and/or ruled out as a non feasible purchasing option.

2. Criteria for a Cash Advance

2.1. Authorized Uses of a Cash Advance

- Conducting works or training in a remote areas where payment methods like check or bank transfer are not accepted and cannot be handled through HOPE'87 procurement payment methods
- Per diem and travel advances for HOPE'87 staff members, Board members, consultants (including advance on fees and honorarium) and other persons duly assigned by HOPE'87 authorizing officers
- Assessment subject payments
- Running operations in situation/locations where cash is the only accepted form of payment for goods and services

2.2. Criteria For Obtaining a Cash Advance

The recipient has to decide how to safeguard the funds advanced, and must exercise prudent judgment to preclude losses that could result in personal liability.

The description for obtaining the cash advance must explain what the money will be used for. Remember, all transport related travel expenses should be claimed – as much as possible- through the travel reimbursement form or be paid directly by HOPE'87, not through cash advance.

Recipients must be aware that they are personally responsible for the advanced funds. Lost funds and unauthorized and/or undocumented expenditures may be considered a misappropriation of funds. If the final accounting for the cash advance is not received by the due date, the recipient may be subject to disciplinary and/or legal action.

2.3. Responsibilities

The recipient is accountable for all aspects of maintaining the advancement; including its safekeeping, appropriate usage and timely reconciliation. HOPE'87 policies that apply to expenditures in general also apply to expenditures made with cash advances. Specifically, the recipient:

- Initiates the request for the cash advance
- If appropriate, establishes the bank account into which the funds are put
- Keeps the cash advance funds physically separate from any other cash-on-hand
- Exercises caution and prudence in the administration and safeguarding of the funds
- Issues payments only for reimbursement of money actually expended for program purposes
- Reconciles the expenditures against the advance within the allotted timeframe

2.4. Cash In the Field

Cash on hand should be limited to amounts required for immediate expenditures. A reasonable level of security for the funds must be maintained at all times. The cash from a field advance should never be mixed with other cash on hand. What constitutes a reasonable level of security will obviously depend on a variety of factors (e.g. size of fund, location, facilities available, etc.). If cash must be carried, the use of a money belt is recommended for safekeeping.

Traveler's checks are a good alternative to carrying large amounts of cash. They should be safeguarded according to the guidelines presented with the checks when they are purchase.

If a banking relationship isn't possible in an isolated location, money can be wired by person-to-person money transfer.

3. Closing Cash Advances – Reconciling

A reconciliation detailing the expenditures made with the advance must be submitted to the CO by the due date on the request form. The due date for the completed reconciliation is 30 calendar days after the end of the cash advance period. Receipts should be in alignment with the description provided when the cash advance was requested. Receipts that fall outside of the description provided may not be approved.

3.5. HOPE'87 Cash Handling Guide

1. Definition:

For purposes of this policy, "cash" means checks, coin, and currency.

2. Requirements:

2.1. Staff

- Only competent, qualified staff may handle cash. Refer to Cash Handler Proficiency at the bottom of the section for more information.
- Ensure personal safety. Refer to Safe Cash Handling at the bottom of the section for more information.
- Ensure that a cash handling duty does not conflict with other duties. Refer to Separation of Duties at the bottom of the section for more information.
- Maintain accountability by ensuring identity of the cashier handling each transaction can always be determined.
- A receipt that excludes a cashier's identity must be validated with the cashier's initials, signature or validation stamp.
- Cash register receipts must identify the cashier
- Each cashier is required to use a check endorsement stamp that includes the cashier's unique identity code.

2.2. Asset Protection

- Safeguard cash.
- Keep the cash register drawer closed except when processing a transaction.
- Never exchange cash between cash registers, cash boxes, cash bags...
- Store undeposited cash in a locked, secure place when vacating the cash handling work area.
- Excess amounts of cash accumulated during the day should be removed, counted, and placed in a secure location by a supervisor. Refer to Securing Currency, Coin, and Checks at the bottom of the section for more information about securing cash.

2.3. Risk Management

- Failure to follow the cash handling procedures described in this guide will result in the affected officer being fully responsible for any lost revenue and any banking-related fees incurred
- Continued failure to comply with the procedures will result in the revocation of the officer's authority to handle cash.
- Some CO may have office-specific cash handling practices. Refer to CO Specific Cash Handling Practices at the bottom of the section for more information.

2.4. Cash Handler Proficiency

Any individual involved in handling cash at any point in the process (hereinafter also called „cashier“ or „cash handler“), including a cashier's supervisor must be competent and qualified. In general, a cash handler must possess the following attributes:

- Bondable

HOPE'87 requires that anyone performing a "critical function," such as handling more than EUR 100 in cash per week, must be bondable, which involves all of the following:

1. The HOPE'87 hiring authority verifying the employment history of the prospective employee, and
2. The prospective employee undergoing a criminal background check.
3. If the prospective employee has access to large amounts of cash, the HOPE'87 hiring department may conduct other procedures, such as a credit history check, to ensure the bondability of the cash handler.
4. If a prospective employee's employment history or background check reveals felonies, misdemeanors, or judgments due to a fraud related to cash, stocks, bonds, or any other financial transaction, the HOPE'87 hiring authority must obtain a satisfactory explanation before hiring the employee

- No Conflicting Duties

An individual involved in the cash handling process must not be assigned conflicting duties. Refer to Cash Handling Separation of Duties below for more information on this topic.

- Proper Training

The individual involved in cash handling must receive the support and training necessary to successfully perform his/her job duties. Cash handling training is required when an employee begins employment.

3. Cashiering Basics

Beginning of the Day Checklist

- Ensure a sufficient amount of change in the appropriate denominations is readily available. Count the amount of currency and coin in the cash drawer or fund, noting the amount for use in balancing cash at the end of the day.

During the Day Checklist

- Provide any depositor with one of the following types of receipts for each transaction:
 - *Cash register receipt*
 - *Handwritten receipt* issued from a prenumbered receipt book.
 - *Consecutively numbered ticket* from a roll of tickets or a series of permits
- Using petty cash/ cash advance for purchase:
 - Obtain an original cash register receipt or a detailed manual receipt marked "paid" that includes the following information:
 - Transaction date
 - Vendor name
 - Item(s) purchased
 - Unit price and quantity (if applicable)
 - Total amount paid
 - The signature of the person who purchased the items indicating receipt of the goods or services
 - Retain the receipt(s)
 - Store the documentation in the cash fund until a cash fund reimbursement is processed by the Finance Officer
 - Reimbursement of a petty cash fund occurs as often as is necessary, but at least on a monthly basis to ensure the timely recording of expenses

- Your supervisor must approve all voids and refunds at the time of occurrence if practical, but no later than the end of the day; attach all relevant documentation.
- Contact the Finance Officer of the CO for reporting instructions if a payment is made in currency and coin and you suspect or you have reason to suspect that one or more of the following apply:
 - The funds were derived from an illegal activity
 - The payment is being made to evade a law or regulation
 - The payment has no business or apparent lawful purpose
 - The payment is being made to facilitate criminal activity

Cash Handling and Payment Process

Practice good cash handling habits.

- Minimize disputes over the amount being paid by leaving currency on the cash register ledge or other secure area visible to others until the transaction is completed
- Check for large-denomination counterfeit bills
- Count change back to the depositor
- Make sure the currency, coin, or check from a transaction is placed in the cash drawer or other secure container or location before handling the next transaction
- Cash on hand may not exceed the sum covered by the insurance policy of HQ or the CO, but must not exceed 2,000 EUR.