



Nordic Development Fund

CFP 2023 ONBOARDING PROGRAM

Module II – Financial Management

Friday 10th of May 2024

Agenda

- Why is reliable financial management important?
- Basic requirements of reliable accounting and financial management
 - Accounting system
 - Requirements for supporting documents
 - Requirements for reporting

EEP Portfolio Management Team



Chiedza Mazaiwana



Kenneth Nyange



Faith Chege

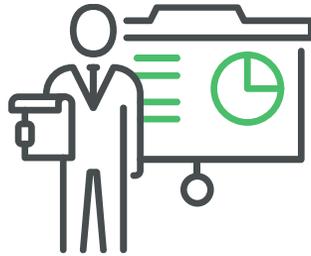


Karlijn Groen

Why is Reliable Financial Management Important?



Why is Reliable Financial Management Important?



INFORMATION

- How your business is doing financially and why
- Managing the operations proactively rather than reactively
- Tools for financial planning and decision making



ACCESS TO FINANCING

- Provide reliable financial information to investors
- Enable justifications for budget and financial projections



PROFITABLE AND EFFICIENT OPERATIONS

- Understanding the cost structure
- Measuring the business profitability
 - KPIs

Basics of Financial Management

Financial Management Models:

- **Funds management:**
 - Dedicated Bank accounts (EUR and Other – Local)
 - Segregation of roles on access of funds from the bank
- **In-house:**
 - Hiring a financial manager/account
 - Setting up an accounting system e.g. Xero, QuickBooks
 - Excel not recommended
- **Outsourced:**
 - Hiring an accounting firm to do your bookkeeping

Common Challenges:

- Comingling of funds
- Lack of financial management policies and capacity
- Lack of an adequate and reliable accounting system
- Lack of proper audit trail between accounting and financial reporting

Good Governance

- Management structure with clearly defined **roles**, **authorizations** and **authorities**
- Decision order that adequately ensures **segregation of duties**
- Documented **guidelines** stipulating the key internal controls and appropriate distribution of work
 - Rules and guidelines in regard to procurements, travelling and per diems, advances, petty cash, inventories, credit cards etc.
 - Approval of expenses
 - Authorization of payments, internally and through the bank

Accounting Systems and Audit Trails



Reliable Accounting System

- Double-entry bookkeeping (trial balance, transaction listing should be possible)
- **Audit trail** = a set of documents that validate the transaction in the accounting books
 - Transaction -> Invoice/receipt/proof of transaction from a third party -> Proof of payment -> Recording in the accounting system -> Financial report
 - Information about the event, who created the event, the day/time of the event
- Only expenses that belong to the project, as approved in the budget are recorded (for both lead and official project partners)
- Stamped "Paid"
- Donor funded projects:
 - project specific code in the account system incase of multiple projects
 - highly important to ensure the eligibility rules (check contract and annexes)
 - confirm whether accrual or cash accounting is adopted for reporting purposes
 - Reporting templates

Supporting Documentation

- Sales slips / Consolidated sales record
- Quotations / Bid analysis incase of 3 quotations
- Invoices
- Receipts / proof of payments
- Travel claims
- Delivery notes
- Tickets and boarding passes
- Pay slips, payroll listings and timesheets
- Deposit slips
- Canceled checks; to ensure the audit trail
- Bank statements; mobile money statements; proof of cash payments

Supporting Document Examples: Purchases

PURCHASE ORDER

Safaricom _____ DATE 15/05/2020
 1678 _____ ORDER NO. 976
 Nairobi, Kenya _____

VENDOR: _____ SHIP TO: _____

CONTACT NAME _____ NAME/DEPT _____
 CLIENT COMPANY NAME _____ CLIENT COMPANY NAME _____
 ADDRESS _____ ADDRESS _____
 PHONE _____ PHONE _____

SHIP VIA	SHIPPING METHOD	SHIPPING TERMS	DELIVERY DATE

CODE	PRODUCT NAME / DESCRIPTION	QTY	UNIT PRICE	DELIVERY DATE
abex	Samsung	1	\$800.00	

REMARKS/NOTES _____

SUBTOTAL \$800.00
 DISCOUNT (%) _____ %
 SUBTOTAL LESS DISCOUNT \$800.00
 TAX RATE 14.00 %
 TOTAL TAX \$112.00
 SHIPPING/HANDLING _____
 TOTAL \$912.00

INVOICE

Safaricom _____ DATE 20/05/2020
 1678 _____ ORDER NO. 1798
 Nairobi, Kenya _____

VENDOR: _____ SHIP TO: _____

CONTACT NAME _____ NAME/DEPT _____
 CLIENT COMPANY NAME _____ CLIENT COMPANY NAME _____
 ADDRESS _____ ADDRESS _____
 PHONE _____ PHONE _____

SHIP VIA	SHIPPING METHOD	SHIPPING TERMS	DELIVERY DATE

CODE	PRODUCT NAME / DESCRIPTION	QTY	UNIT PRICE	DELIVERY DATE
abex	Samsung	1	\$800.00	

REMARKS/NOTES _____

SUBTOTAL \$800.00
 DISCOUNT (%) _____ %
 SUBTOTAL LESS DISCOUNT \$800.00
 TAX RATE 14.00 %
 TOTAL TAX \$112.00
 SHIPPING/HANDLING _____
 TOTAL \$912.00

RECEIPT

Safaricom _____ DATE 20/05/2020
 1678 _____ ORDER NO. 7896
 Nairobi, Kenya _____

VENDOR: _____ SHIP TO: _____

CONTACT NAME _____ NAME/DEPT _____
 CLIENT COMPANY NAME _____ CLIENT COMPANY NAME _____
 ADDRESS _____ ADDRESS _____
 PHONE _____ PHONE _____

SHIP VIA	SHIP PIN	SHIP HI	DELIVERY DATE

CODE	PRODUCT NAME / DESCRIPTION	QTY	UNIT PRICE	DELIVERY DATE
abex	Samsung	1	\$800.00	

REMARKS/NOTES _____

SUBTOTAL \$800.00
 DISCOUNT (%) _____ %
 SUBTOTAL LESS DISCOUNT \$800.00
 TAX RATE 14.00 %
 TOTAL TAX \$112.00
 SHIPPING/HANDLING _____
 TOTAL \$912.00

Documents for audit trail of a purchase (equipment)

Supporting Document Examples: Salaries

Company Name
[Address]
Salary Slip

Employee Name: _____
Designation: _____
Month & Year: _____

Earnings		Deductions	
Basic & DA	5,200.00	Provident Fund	358.00
HRA	3,000.00	E.S.I.	120.00
Conveyance	500.00	Loan	-
		Profession Tax	-
		TSD/IT	-
Total Addition	8,700.00	Total Deduction	478.00
		NET Salary	8,222.00

Dollars Eight Thousand Two Hundred Twenty Two Only
Cheque No. _____ Name of Bank: _____
Date: _____

Signature of the Employee: _____ Director: _____

Salary Slip Template

Signed salary pay slip

Date: Enter date
Number: Enter number
Amount: \$Enter amount

SALARY ACKNOWLEDGEMENT RECEIPT

I [Name Here] ID/Passport No. [X] acknowledge receipt of payment of the following items from my employer [Name] on date [Date] by cash/cheque No. [X].

Wages From: Enter description

Deduction of Salary/Other: Enter information

Total: Enter name

Received By: Enter name

Signature: _____

Date: Enter date
Number: Enter number
Amount: \$Enter amount

SALARY ACKNOWLEDGEMENT RECEIPT

I [Name Here] ID/Passport No. [X] acknowledge receipt of payment of the following items from my employer [Name] on date [Date] by cash/cheque No. [X].

Wages From: Enter description

Deduction of Salary/Other: Enter information

Total: Enter name

Received By: Enter name

Signature: _____

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Proof of salary payment

Supporting Document Examples: Other

Commercial Invoice

June 19, 2018
NO S50075
Terms Of Sale: Net 30

Company
Bicycles Unlimited
300 W North Temple
Salt Lake City, UT 84103

Bill To:
Ashley Myers
111 Intelligent Lane
Portland, Oregon 97217
Phone: 503-555-1717
Email: ashley@myers.org

Ship To:
Ashley Myers
111 Intelligent Lane
Portland, Oregon 97217
Contact: Ashley Myers

Sales Person	Order Currency	Payment Terms	Ship Via	Req. Ship Date	Total Packages
admin	USD	COD	UPS	06/08/2018	1

Carton information
Carton 1 (#12356897900868) 2.41 lbs [UPS Tracking](#)

Item / Description	Qty Shipped	Net Weight	Schedule B	C/O	Unit Price	Extended Price
B200 - Discount Brake Cables	1 ea	0.01	090121.001	USA	\$ 10.00	\$ 10.00
B201 - Heavy Duty Brake Cables	1 ea	1.2	090121.002	USA	\$ 25.00	\$ 25.00
B202 - Everyday Brake Cables	1 ea	1.2	090121.003	USA	\$ 15.00	\$ 15.00
B203 - Adamantium Brake Cables	1 ea	0	090121.004	USA	\$ 100.00	\$ 100.00
Totals:		4	2.41			

Reason For Export:
Notes:
SubTotal: \$ 150.00
Sales Tax: \$ 0.00
Total: \$ 150.00

The exporter of the products covered by this document declares that except where otherwise clearly indicated, these products are of United States Of America preferential origin.
We hereby certify that the information on this invoice is true and correct and that the contents of this shipment are as stated above.
Approval: _____ Date: _____
June 26, 2018 1:28:10 PM MDT Page 1 of 1

Commercial invoice

Delivery Note

Doc. Identifier: DwtvGrid-12-DEN-mnn
Date: 22/02/2010

Recipient: [Recipient Name Here]
Project Officer: [Name Here]
Delivery address: Name
Street Address
City, ST ZIP
Code
Phone (509) 555-0190 Fax (509) 555-0191

Title	Deliverable identifier
Quality Plan	D12.1

Deliverable contents

Title	Document Identifier	Paper	Other(*)
Quality Plan	DataGrid-12-D-12.1-0101-1-3	X	M and D
Risk Management	DataGrid-12-D-12.1-0103-1-3	X	M and D
Templates	DataGrid-12-TEM-all-1-3.sig	X	M and D

Comments: The annex of the Quality Plan contains the document templates.
(*): Cartridge: D: Diskette, CD: Compact Disk, M: electronic mail

Sender: CERN

From:	Approved by:	Received by:
Name: Mr. G. ZAQUINE	Name: Dr. F. GAGLIARDI	Name: Dr. K. BAKEVANIDIS
Date:	Date:	Date:
Signature:	Signature:	Signature:

Delivery note

SHOP NAME
Address: Lorem Ipsum, 23-10
Tel. 11223344

CASH RECEIPT

Description	Price
Lorem	1.1
Ipsum	2.2
Dolor sit amet	3.3
Consectetur	4.4
Adipiscing elit	5.5
Total	16.5
Cash	20.0
Change	3.5
Bank card	--- --- --- 234
Approval Code	#123456

THANK YOU!



designed by 

Receipt

Financial Reporting and EEP Africa Requirements



Best Practices for Financial Reporting

- Clear agreed processes and procedures: Defined roles and responsibilities, reporting format and reporting schedule
 - Policies, manuals, guidelines
- Dedicated bank accounts for transparency and accountability
- Adequate supporting documents
 - Secured filing system/ storage (online back up)
 - Document retention (at least 5 years)
- **Documented** reconciliation between accounting records and financial report
- Management approves the financial report
 - Financial report is dated and signed by the management

EEP Africa Requirements

- **Basis of Financial Report:**

- Must be completed on EEP Finance Report template
- Must be submitted on timely basis (before deadline)
- Financial reports must reflect actual expenditures incurred & paid during the reporting period.

- **Clarity and Verification:**

- Grantee must ensure reports and supporting documents are clear and appropriately labelled for easy verification by EEP.
- Clarification during review must be provided on timely basis to reduce delays in review.

- **Financial Audit Requirement:**

- All projects funded by EEP Africa are subject to a financial audit upon project completion.
- EEP authorises the audit process and the auditor selected for the audit.
- EEP may appoint auditor if deemed necessary.

Financial Reporting

Common Weaknesses:

- Delays in reporting with no prior communication to EEP.
- Incomplete support documentation e.g. Proof of payment not available.
- Noncompliance to procurement guidelines, leading to disallowances.
- Overspending due to poor budget tracking.
- Partner expenditures not aligned to EEP reporting guidelines.
- Expenditures not related to approved budget.
- Unverifiable in-kind contribution.
- Wrong exchange rates adopted at reporting (Must be **InfoEuro** at reporting date)
- Expenditures before or after contracting period.
- Double reporting expenses – Reporting expenditures claimed under other grants to EEP.

EEP Africa Requirements

- **Salaries:**
 - Staff contracts are required for all staff, including staff who may not be fulltime.
 - Timesheets are required for all staff charged to the project. *A time sheet template is provided to all EEP Africa projects as part of the Financial Report template.*
 - Proof of payment – Salaries must be additionally supported by an employee advice of receipt or an extract from the PD's bank account clearly showing the amount and recipient.
- **Acquisition of Fixed assets and goods:**
 - Comparison of at least three quotes/offers to be obtained from suppliers (>Euro 3000).
 - Contracts (where applicable), Invoices, Waybills (where applicable), customs clearance (where applicable) and Delivery notes.
 - Proof of payment / receipts
- **Travel:**
 - Prior approval by authorized personnel, including clear rationale for the travel.
 - Can include reasonable travel and accommodation expenses for project personnel, and daily allowances. It should be made clear in the project budget if the selected per diem rate covers both accommodation and daily allowance, or solely daily all.
 - All travel and accommodation expenses must be supported by an official receipts, and boarding passes where applicable.
 - Costs related to change in tickets, or penalties for late cancellation will not be allowed.

EEP Africa Requirements

- **External Services:**

- Sourcing of suppliers or consultants – Must be competitive (at least 3 quotes) if above Euro 3000.
- Clear terms of reference and deliverables expected.
- Contracts, Invoices and proof of payments
- Service completion certificates / final deliverables included as part of milestone report

- **Office costs:**

- Cost sharing criteria must be declared for shared costs. (% allocated to EEP).
- Existing contracts (e.g. rent, lease, internet etc.)
- Invoices and proof of payments.

- * **IMPORTANT:**

- All costs must be supported by official supporting documents.
- If a third-party service provider cannot provide an official receipt, they must sign a receipt or voucher specifying the service amount. They should also include a copy of their identity documentation/card and contact details.
- Quotes, Invoices or estimates are not official receipts.
- Bank statements or mobile money statements will be required to verify payments.

EEP Africa Requirements

In-kind contribution:

- Any in-kind contribution cost must be aligned to the EEP approved budget (Refer to Annex II).
- **Personnel**
 - Timesheets for Founders/shareholders time contributed to the project in-kind will be required.
 - The valuation of the time must be aligned to EEP approved rates (Refer to budget)
 - Clear activities / deliverables must be provided as part of the support documentation
- **External Services**
 - Agreements / MOUs with professionals, or experts contributing to the project in-kind.
 - The rates adopted to value the service must be clearly justified and compared to market rates.
 - Final deliverables must be available as part of support documentation
- **Assets and Equipment + Goods and Supplies**
 - Invoices and credit notes (where applicable for costs after contracting)
 - Delivery notes to the company, or implementation site.
 - Ownership / transfer of rights documents e.g. title deeds, logbook, leases etc.
 - Updated asset register and Inventory list
 - Pictures for verification (including during site visits)

EEP Africa Requirements

- **Procurements:**

- Costs below € 3,000:
 - Procedures to be decided by the grantee. The price must be reasonable.
- Costs between € 3,000-60,000:
 - Comparison of at least three quotes/offers to be obtained from suppliers.
 - The request for bids, specifications, offers, justifications, bid evaluation report and other procurement-related documentation must be annexed to the Financial Report as supporting documents.*
- Costs above € 60,000:
 - Competitive open tendering with invitations to tender announced publicly.
 - The procurement procedure must be separately agreed upon with EEP beforehand. The full tender dossier, invitations and adverts, offers, justifications, bid evaluation report and other procurement-related documentation must be annexed to the Financial Report as supporting documents.*

- *Bid Evaluation Process:*

- *Bids or proposals are evaluated by a committee comprising at least three qualified individuals.*
- *Committee members must declare and avoid any conflicts of interest related to the evaluation.*
- *All evaluation committee members are required to sign the bid evaluation report to affirm their participation and assessment.*

EEP Africa Requirements

- **Ineligible Expenses:**
 - Expenses that are not based on the approved project budget and plan;
 - General staff training
 - Project preparation or other expenses incurred before the Contract was signed.
 - Merit pay, bonuses, fringe benefits and similar supplements to wages that are paid in addition to regular wage;
 - Depreciation of equipment, machinery and vehicles;
 - Overhead as a share of total costs;
 - Fines, penalty fees and legal expenses, except legal expenses that are related to the project and that have been approved in the budget;
 - Value-added tax (VAT) that may be deducted or refunded or compensated for in another way; Any other taxes that may be recoverable based on country of implementation (on a case by case basis).
 - Financing expenses: interest on loans, fees related to financing transactions, currency exchange fees and exchange rate losses;
 - Expenses for equipment, installations, and maintenance that do not meet the professionally accepted standards in the country of implementation or as outlined in the project document.

Misuse of Funds

Misuse of Funds

- EEP Africa has a **zero-tolerance** approach to the misuse of funds and so should your company.
- Includes corruption and funds that intentionally and/or unintentionally misspent, fraudulently misappropriated or inadequately accounted for. It also includes corrupt, fraudulent, coercive, collusive and obstructive conduct. The most common fraud issue is theft.
- Fraud can and does happen. The best **strategy to mitigate** fraud risks is proper governance structures and financial management procedures.
- **Internal controls** is the key. Poor or no internal controls equal virtually inevitable fraud.
- A lack of appropriate separation of duties is one of the most common weaknesses.

Reporting Misuse of Funds

- All projects and contracted parties must adhere to the Nordic Development Fund's [Policy on Anticorruption and Integrity](#)
- **Reporting** of concerns or evidence of corruption, fraud, coercion, collusion or obstructive practice can be done through any of the following channels:
 - EEP Africa Portfolio Manager (multiple contacts)
 - EEP Africa [Head of Portfolio](#)
 - NDF [Anticorruption Committee](#)
- Any information provided will be treated as **confidential**.
- Reports may be made anonymously. However, as anonymous reports are difficult to investigate, anyone making an allegation is encouraged to provide some means that will allow further communication.

Q&A Regarding EEP Requirements

Contact:

info@eepafrica.org

Learn more:

<https://eepafrica.org/>

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