



Reliable Financial Management

Training conducted for early-stage clean energy companies
in the EEP Africa portfolio (2020)

Why is Reliable Financial Management Important?



INFORMATION

- Understand how your business is doing financially and why
- Manage operations proactively
- Tools for financial planning and decision making



ACCESS TO FINANCING

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



PROFITABLE & EFFICIENT OPERATIONS

- Understand cost structure and identify possible savings
- Measure business profitability
- Set realistic KPIs

Basics of Financial Management

Financial Management Models:

- **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:

- Lack of financial management 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

Accounting Systems and Audit Trails

Reliable Accounting System

- Double-entry bookkeeping
- **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 organization/project are recorded
 - Donor funded projects: highly important to ensure the eligibility rules

Supporting Documentation

- Sales slips
- Invoices
- Receipts
- Delivery notes
- Travel claims
- Tickets
- Pay slips, payroll listings and timesheets (must be signed)
- Deposit slips
- Canceled checks; to ensure the audit trail
- Bank statements, mobile money payments
- Proof of cash payments for petty cash

Supporting Document Examples: Purchases

PURCHASE ORDER

Safaricom _____ DATE 15/05/2020
 1478 _____ ORDER NO. 976
 Nairobi, Kenya _____

VENDOR: _____ SHIP TO: _____

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

SHP 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
 1478 _____ ORDER NO. 1798
 Nairobi, Kenya _____

VENDOR: _____ SHIP TO: _____

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

SHP 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
 1478 _____ ORDER NO. 7896
 Nairobi, Kenya _____

VENDOR: _____ SHIP TO: _____

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

SHP 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
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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: _____

wordexceltemplates.com

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 (#1Z3568977900868) 2.41 lbs [UPS Tracking](#)
Total: 1 2.41 lbs

Item / Description	Qty Shipped	Net Weight	Schedule B	C/O	Unit Price	Extended Price
B200 - Discount Brake Cables	1 ea	0.01	090121001	USA	\$ 10.00	\$ 10.00
B201 - Heavy Duty Brake Cables	1 ea	1.2	090121002	USA	\$ 25.00	\$ 25.00
B202 - Everyday Brake Cables	1 ea	1.2	090121003	USA	\$ 15.00	\$ 15.00
B203 - Adamantium Brake Cables	1 ea	0	090121004	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: DwtGrid-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

Title	Document Identifier	Supporting materials
Quality Plan	DwtGrid-12-D121-0101-1-3	Paper Other(*) X M and D
Risk Management	DwtGrid-12-D121-0102-1-3	X M and D
Templates	DwtGrid-12-TEM-all-1-3.zip	X M and D

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

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

Delivery note

SHOP NAME
Address: Lorem Ipsum, 23-10
Telp. 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!



Receipt

Financial Reporting and EEP Africa Requirements



Basics of Financial Reporting

Requirements:

- Information needs of company
- Reporting to regulatory authorities
- Reporting to donors and investors
- Information sharing to external interest groups

Common Weaknesses:

- Delays in reporting
- Errors and/or inconsistencies in the reporting
- Reporting not aligned with the budget
- Budget deviations not elaborated
- Reported expenses not aligned with actual sums paid budgeted
- Reliable documentation of co-financing missing or the reported co-financing not in line with the requirements

Best Practices in Financial Reporting

- Clearly agreed processes and procedures: Defined roles and responsibilities, reporting format and reporting schedule
 - Policies, manuals, guidelines
- Adequate supporting documents
 - Secured filing system/storage
- **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

- Inclusion of **sufficient information** on project **implementation and expenditures** in the reports to **ensure a transparent and clear view of the project status**.
- Financial Report must be based on **actual expenditure** and must cover expenditure for the reporting period.
- Supporting documents are in a clear form and **appropriately recorded**, allowing for verification by EEP Africa.
- All projects funded by EEP Africa must undergo a **financial audit** at the end of the project.

EEP Africa Requirements

Salaries:

- For salary expenditures the payment must be supported by an employee advice of receipt or an extract from the company bank account clearly showing the amount and recipient.
- Employees who do not work 100% for the project must record hours in a time sheet. A time sheet template is provided to all EEP Africa projects as part of the Financial Report template.

Travel:

- Reasonable travel and accommodation expenses, and daily allowances, are allowed. The budget should clearly indicate if the per diem rate covers both accommodation and daily allowance.
- All travel and accommodation expenses must be supported by an official receipt.

Supporting documents:

- All costs must be supported by official supporting documents.
- In case a service has been provided by a third party that is not able to provide an official receipt, the provider must sign a receipt indicating the amount of the service and enclose a copy of her/his identity documentation/card.
- Quotes or estimates are not official receipts.

EEP Africa Requirements

Procurements:

- Costs below EUR 3,000: Procedures to be decided by the PD. The price must be reasonable.
- Costs between EUR 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 EUR 60,000: Competitive open tendering with invitations to tender announced publicly. The procurement procedure must be separately agreed upon with EEP Africa in advance. 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.*

*Any evaluation of bids or proposals shall be performed by an evaluation committee of at least three qualified people. All members of the evaluation committee shall ensure that there is no conflict of interest resulting from their participation in the evaluation committee. All evaluation committee members shall sign the bid evaluation report.

EEP Africa Requirements

Ineligible Expenses:

- Expenses that are not based on the approved project budget and plan;
- 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; *
- Financing expenses: interest on loans, fees related to financing transactions, currency exchange fees and exchange rate losses
- Fees resulting from opening or managing an account

* The Project Developer shall pay when due and is responsible for following the applicable VAT regulation and shall pay VAT when due in the country or countries where the project or the Project Developer is located.

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 are intentionally or unintentionally misspent, fraudulently misappropriated, or inadequately accounted for. The most common fraud issue is theft. Also includes corrupt, fraudulent, coercive, collusive and obstructive conduct.
- Double counting costs to different donors, accidentally or intentionally, is fraud.
- 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 the most common weakness.

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 Coordinator (multiple contacts)
 - EEP Africa [Head of Portfolio and Finance](#)
 - 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.