



Financial Management

Webinar

Wednesday 19 April 2023

Agenda

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

Presentations

- Short introductions of participants
- Expectations for the webinar

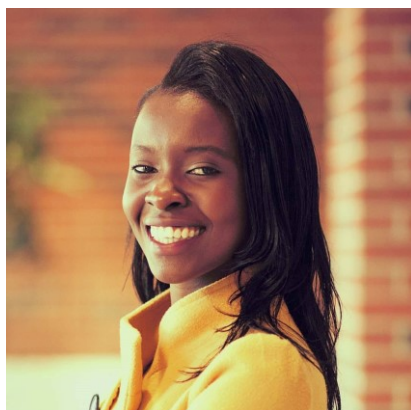
EEP Team



Chiedza Mazaiwana



Kenneth Nyange



Faith Chege

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:

- **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
- Travel claims
- Delivery notes
- Tickets
- Pay slips, payroll listings and timesheets
- Deposit slips
- Canceled checks; to ensure the audit trail
- Bank statements, mobile money payments, proof of cash payments

Supporting Document Examples: Purchases

PURCHASE ORDER

Safaricom
1678
Nairobi, Kenya

DATE 15/05/2020
ORDER NO. 976

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
1678
Nairobi, Kenya

DATE 20/05/2020
1798

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

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

RECEIPT

Safaricom
1678
Nairobi, Kenya

DATE 20/05/2020
7896

VENDOR: _____ SHIP TO: _____

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

SHIP VIA	SHIP PIN	S	HI	DELIVERY DATE

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

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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

SALARY ACKNOWLEDGEMENT RECEIPT	
Date	Enter date
Number	Enter number
Amount	\$Enter amount
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:	
SALARY ACKNOWLEDGEMENT RECEIPT	
Date	Enter date
Number	Enter number
Amount	\$Enter amount
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

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

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

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 (#123568977900868) 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	0901.21.001	USA	\$ 10.00	\$ 10.00
B201 - Heavy Duty Brake Cables	1 ea	1.2	0901.21.002	USA	\$ 25.00	\$ 25.00
B202 - Everyday Brake Cables	1 ea	1.2	0901.21.003	USA	\$ 15.00	\$ 15.00
B203 - Adamantium Brake Cables	1 ea	0	0901.21.004	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.
I/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

Deliverable Identifier	
Title	Deliverable identifier
Quality Plan	D12.1

Deliverable contents		
Title	Document Identifier	Supporting materials
		Paper Other(*)
Quality Plan	DataGrid-12-D12.1-0105-1-3	X M and D
Risk Management	DataGrid-12-D12.1-0103-1-3	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: Name: Mr. G. ZAQUINE
Date:
Signature:

Approved by: Name: Dr. F. GAGLIARDI
Date:
Signature:

Recipient (Recipient): Name: Dr. K. BAKYANIDIS
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!


designed by 

Receipt

**What challenges do you face with
providing support documents?**

Coffee Break



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 for Financial Reporting

- Clear 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**.
- The Financial Report must be based on actual expenditure and must cover the expenditure for the reporting period.
- The PD is responsible for that the report and the supporting documents are in a clear form and appropriately recorder allowing verification by ECO without difficulties.
- 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 additionally supported by an employee advice of receipt or an extract from the PD's bank account clearly showing the amount and recipient.
 - Employees that do not work 100 % for the project must record hours worked and hours available in a time sheet. A time sheet template is provided to all EEP Africa projects as part of the Financial Report template.
- **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 receipt.
- **Official 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 € 3,000: Procedures to be decided by the PD. 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 ECO 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.*

*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

* 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.

Q&A Regarding EEP Requirements

Misuse of Funds

Experiences?

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.

Thank you!

www.eepafrica.org

Contact us:

info@eepafrica.org

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