



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



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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

		Ρ	U	RCH	IASE	ORDER
Safaricom 1678 Nairobi, Kenya					DATE ORDER NO.	15/05/2020 976
VENDOR:			SHIP T	'O:		
CONTACT NAME				COMPANY N		
PHONE			PHONE	·		
SHIP VIA	SHIPPING METHOD			SHIF	PING TERMS	DELIVERY DATE
CODE	PRODUCT NAME / DESCRIPT	ION		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 %
				SHIPP		\$112.00
					TOTAL	\$912.00

			INVOICE			
Safaricom						
1678 Nairobi, Kenya				DATE	20/05/2020	
VENDOR:		SHIP	TO:			
CONTACT NAME		NAME	/DEPT			
CUENT COMPANY NAME						
ADDRESS		ADDR	55			
PHONE		PHON				
SHIP VIA	SHIPPING METHOD		SHI	PPING TERMS	DELIVERY DATE	
CODE	PRODUCT NAME / DESCRIPTION	м	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	
			SHIPP	ING/HANDLING		
				TOTAL	\$912.00	

		RECEIPT			
Safaricom 1678				DATE	20/05/2020
Nairobi, Kenya					7896
VENDOR		SHIP	TO:		
		NAM	E/DEPT		
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ADDRESS		ADD	RESS		
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abex	Samsung		1	\$800.00	
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REMARKS/NOTES				DISCOUNT (%) LESS DISCOUNT TAX RATE TOTAL TAX	\$800.00
REMARKS/NOTES				DISCOUNT (%) LESS DISCOUNT TAX RATE	\$800.00 \$800.00 14.00 \$112.00 \$912.00

NORDIC DEVELOPMENT FUND

Documents for audit trail of a purchase (equipment)



Supporting Document Examples: Salaries

358.00 120.00
120.00
120.00
52
85
8
478.00
8,222.00

Date Enter date SALARY Number Enternumber Amount \$Enter amount 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 Enter Information 8alary/Other Total: Enter name Received By: Enter name Signature: Date Enter date SALARY Number Enter number Amount \$Enter amount 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 Enter Information 8alary/Other Total: Enter name Received By: Enter name Signature: wordexceltemplates.com

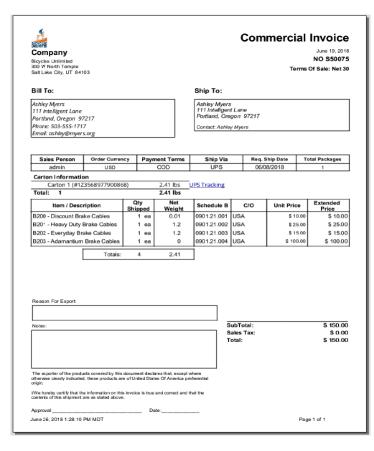
Signed salary pay slip







Supporting Document Examples: Other



Commercial invoice

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Delivery note

SHOP N Address: Lorem Ip Telp. 1122:	sum, 23-10	
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Total Cash Change	16.5 20.0 3.5	
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Bank card Approval Code	234 #123456	
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THANK Y	00!	
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Receipt		

NORDIC DEVELOPMENT



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



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.





• 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 rational 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





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.



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 mut 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 availed 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)



• 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.





- 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 <u>Policy on Anticorruption and Integrity</u>
- **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 <u>Anticorruption Committee</u>
- 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



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Learn more:

https://eepafrica.org/

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