



# **GUIDELINES FOR FINANCIAL REPORTING FOR PROJECTS FUNDED BY THE OLOF PALME INTERNATIONAL CENTER**

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<b>1. FORMS AND TEMPLATES FOR THE REPORTING .....</b>	<b>3</b>
<b>2. DEPOSITING OF FUNDS .....</b>	<b>4</b>
<b>3. INTEREST .....</b>	<b>4</b>
<b>4. COMPARISON WITH THE BUDGET .....</b>	<b>4</b>
<b>5. MIDTERM REPORTING .....</b>	<b>4</b>
<b>6. YEARLY- AND FINAL REPORTS .....</b>	<b>5</b>
6.1 Yearly report .....	5
6.2 Final report.....	5
<b>7. AUDIT .....</b>	<b>6</b>
<b>8. CURRENCIES AND CURRENCY FLUCTUATIONS .....</b>	<b>7</b>
<b>9. UNUTILISED FUNDS .....</b>	<b>7</b>
9.1 Yearly reports.....	7
9.2 Agreement prolongation or updated budget appendix regulating unspent balances from previous years .....	7
9.3 Final Report .....	8

## 1. FORMS AND TEMPLATES FOR THE REPORTING

Partner organisations granted funds for development cooperation projects must send an annual report for the period covered by the contract to the Swedish project organisation/the Palme Center by **February 1<sup>st</sup>** each year. The Palme Center forms **must** be used for all financial reporting. The financial report shall consist of:

- Expenditure Specification
- Accounts in local currency
- Audit Report
- Management Letter
- A copy of the auditor's audit certification/registration document that verifies what kind of certification (CPA, CA etc.) he/she holds. If the project is implemented in a country where the Palme Center has procured the audit service, then there is no need to send in the certificate.

All templates needed for the reporting are available for download at [www.palmecenter.org](http://www.palmecenter.org)

**Expenditure specification:** The Expenditure Specification form is used to state budgeted and actual expenditures for the accounting period in question. The statement shall be made in the currency of the agreement (usually SEK) and it should follow the approved budget (see agreement).

The expenditure specification must be signed by the person authorized to sign for the organisation as well as by the auditor. This is to certify that the organization and the auditor agree that the statement is correct.

**Accounts in local currency:** Part one of the form includes a specification of the received payments from the Swedish project organisation/the Palme Center, where the exchange rates shall be reported. If an intermediary currency has been used, that is if the local organization first receives their payments in Euro (EUR) or US Dollars (USD) before converting to the local currency, these transactions are also to be included.

Part two of the form is used to account for the use of the year's project funds **in the local currency**, including the opening and closing balance of the bank account for the year, as well as accrued interest during the year.

**Audit Report:** The auditor shall write a report according to ISA 805, which shall express an opinion whether the submitted annual financial report is in accordance with the organization's accounting records and with the Palme Center's audit instruction.

It is important that the auditor's report clearly states that the audit has been performed in accordance with ISA and the Olof Palme International Center's Audit Instruction. If not, Palme Center cannot approve the audit.

**Management Letter:** The auditor of the project shall write a Management Letter/Audit Opinion which shall contain those findings that the auditor has made during the audit. The audit must be carried out in accordance with the "Olof Palme International Center's Audit Instruction".

**Copy of the auditor’s audit certification/registration document:** This document is requested to verify what kind of certification (CPA, CA etc.) the auditor holds and is to be provided by your auditor. The document must be valid (in some countries the certification document must be renewed each year). If the project is implemented in a country where the Palme Center has procured the audit service, then there is no need to send in the certificate.

**Please note that new funds will not be made available to organisations that do not report the previous year in consistency with the Olof Palme International Center guidelines for financial and narrative reporting.**

## 2. DEPOSITING OF FUNDS

In order to facilitate good control of the funds, the funds must be deposited in a bank account signed by two persons jointly. The Palme Center strongly recommends that a separate account is opened for the project funds.

All project documentation shall be stored in a safe manner and preserved for a period of 7 years from that the project has received its last payment.

## 3. INTEREST

**Interest on the granted funds must be included in the reporting (templates “Accounts in local currency” and “Expenditure specification”).**

The local cooperation organisation may use the interest earned under the condition that it is used for the project activities.

At the end of the agreement, the interest that has not been used for project activities shall be repaid to the Palme Center. Amounts under SEK 500 do not require reimbursement. For all agreements within PAO, the interest has to be reimbursed regardless the amount.

The project auditor has the obligation to check that interest is managed and reported in a correct manner (see “the Olof Palme International Center’s Audit Instruction”).

## 4. COMPARISON WITH THE BUDGET

Project report should follow the budget items in the budget approved by the Swedish project organisation/the Palme Center (see agreement). If adjustments are made during the budget period (after approval from the Swedish project organisation/the Palme Center), the audit will be based on the final budget agreed upon.

## 5. MIDTERM REPORTING

Before receiving the second disbursement of funds, the local cooperation organisation shall submit a midterm report to the Swedish project organisation/the Palme Center. The midterm report shall consist of a descriptive statement in which the results achieved shall be compared with objectives in the application. An accounting statement of funds previously paid out as compared with the budget (not audited) shall also be included. The midterm report shall be made on the Palme Center form “Midterm report”, available at [www.palmecenter.org](http://www.palmecenter.org) The

second payment in the project cannot be disbursed before the midterm report is approved by the Swedish project organisation/the Palme Center.

## 6. YEARLY- AND FINAL REPORTS

### 6.1 Yearly report

Each year, a **yearly report** in two parts shall be submitted to the Swedish project organisation/the Palme Center. The report shall cover the preceding 12-month period (1 January –31 December) and shall be submitted the **1 February** each year, at the latest (see agreement). The report shall contain the following two parts:

1. **Narrative part:** The first part of the report shall contain a narrative report in which the results achieved shall be compared with targets and project plan according to the application. All deviations shall be explained. The template for the narrative report is available at [www.palmecenter.org](http://www.palmecenter.org) .
2. **Financial statement:** The second part of the report shall contain a financial statement of funds received. The disposition of the statement shall be the same as that of the approved budget and shall be reported on the Palme Center forms:
  - *Expenditure specification* (signed by the person authorized to sign in the local cooperation organisation as well as by the auditor), and;
  - *Accounts in local currency*
  - An *audit report* and a *management letter* shall be attached to the financial statement.
  - Copy of the auditor’s certification/registration document that verifies what kind of certification (CPA, CA etc.) the auditor holds. If the project is implemented in a country where the Palme Center has procured the audit service, then there is no need to send in the certificate.

All templates and forms are available at [www.palmecenter.org](http://www.palmecenter.org) .

### 6.2 Final report

The **final report** shall be submitted the **1 February** the year after the completion of the project. The final report shall contain the same two parts as the yearly report. The final narrative report shall contain the last project year as well as answering the questions regarding "final reporting". The financial statement shall only comprise the last project year.

The final report sent to the Swedish project organisation/the Palme Center shall contain the following documents:

1. **Narrative report** describing the project development during the whole project period *as well as* the last project year (answer the questions for “final reporting”).

2. **Financial statement:** The second part of the report shall contain a financial statement of funds received. The disposition of the statement shall be the same as that of the approved budget and shall be reported on the Palme Center forms:

- *Expenditure specification* (signed by the person authorized to sign in the local cooperation organisation as well as by the auditor), and;
- *Accounts in local currency*
- An *audit report* and a *management letter* shall be attached to the financial statement.
- Copy of the auditor's certification/registration document that verifies what kind of certification (CPA, CA etc.) the auditor holds. If the project is implemented in a country where the Palme Center has procured the audit service, then there is no need to send in the certificate.

All templates and forms are available at [www.palmecenter.org](http://www.palmecenter.org) .

## 7. AUDIT

**The project shall be audited annually. The audit shall be carried out by an external, independent and qualified auditor.**

**Approved titles: Certified Public Accountant (CPA), Chartered Accountant (CA), or equivalent according to project country law.**

The audit shall be conducted in accordance with internationally accepted standards, issued by the International Federation of Accounts (IFAC).

In addition to the audit made in accordance with generally accepted auditing standards, the auditor shall especially examine that the organization has complied with the terms and conditions of the agreement between the organization and the Swedish project organization/the Palme Center as well as with the instructions and guidelines of the Palme Center. The auditor shall also verify that the financial report corresponds with the narrative report of the project. The audit shall consist of at least the following signed documents:

1. Expenditure specification
2. Accounts in local currency
3. Audit Report
4. Management Letter

The auditor shall also attach a copy of his/her audit certification/registration document that verifies what kind of certification (CPA, CA etc.) the auditor holds. If the project is implemented in a country where the Palme Center has procured the audit service, then there is no need to send in the certificate.

**The audit must be carried out in accordance with “the Olof Palme International Center’s Audit Instruction”. It is the responsibility of the organization to ensure that the auditor is aware of and performs the audit in accordance with those instructions (available at [www.palmecenter.org](http://www.palmecenter.org) ).**

Verifications and receipts do not normally need to be sent to Sweden but is retained by the recipient organisation. **The material must be kept for seven years.**

## 8. CURRENCIES AND CURRENCY FLUCTUATIONS

To account for currency fluctuations the template “Accounts in local currency” should be, and if applicable the intermediary currency should also be included (EUR or USD). Currency fluctuations can be accounted for in the Swedish project organisation’s financial statements to the Palme Center.

To enable Swedish project organisations to calculate currency fluctuations, the recipient organisation must provide details of all currency exchanges throughout the year in both in the intermediary currency (EUR or USD) and local currency. The organization needs to include:

- The amount received from Sweden;
- The date of receiving the funds;
- The amount exchanged into the intermediary currency;
- The amount exchanged into local currency, and;
- The date and rate of the exchange.

These details shall also be sent to the Swedish project organisation/the Palme Center to facilitate assessment of the statement. This background material enables the Swedish project organisation/the Palme Center to calculate an average currency rate for the local currency and recalculate it into Swedish Kronor.

## 9. UNUTILISED FUNDS

### 9.1 Yearly reports

Unutilised funds per December 31 of the current year can/may be transferred to the next budget period, if this is agreed upon with the Palme Center. If, during a budget period, the project appears to be cheaper than budgeted or if a project is delayed, the organisation should contact the Swedish project organisation/the Palme Center immediately to discuss this. This should take place when reporting at the latest.

If no agreement is made, the unutilised funds shall be reimbursed to the Swedish project organisation/the Palme Center.

### 9.2 Agreement prolongation or updated budget appendix regulating unspent balances from previous years

If the agreement period runs for a year or less, a prolongation agreement **must** be signed in order for unused funds to be transferred to the next budget period. The agreement is issued by the Swedish project organisation/the Palme Center after having received the yearly report.

If the agreement period runs for several years, the Cooperation organisation shall no later than February the following year within a multiyear agreement period submit an updated budget (the “Updated budget”) for the same year. The Updated budget shall include a specification of how funds will be utilized for the activities during the calendar year and should include unspent

balances from the previous year. Once approved by the Palme Center the Updated budget appendix will form an integral part of the cooperation agreement.

### 9.3 Final Report

**If the project is to hand in a final report, then all balances must be cleared and funds cannot be moved to the next year's budget.**

Any excess funds at time of compiling the Final Report must be repaid to the Palme Center and calculated as follows:

<b>Example</b>	
Funds received for the project:	300,000
Actual project costs :	270,000
<b>Funds to be repaid:</b>	<b>30,000</b>

On examining the Final Report, the Palme Center issues a letter requesting repayment to organisations with funds to repay as laid out in the above table.