



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

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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 Cooperation agreement to the Swedish project organisation/the Palme Center by **February 1st** each year. The Palme Center forms **must** be used for all financial reporting. The financial reports shall consist of:

- a. Accounts in local currency/Expenditure specification in SEK
- b. Audit report according to ISA 805
- c. Management letter and management response with action plan
- d. Report over factual finding (ISRS 4400)
- e. 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 services, then there is no need to send in the certificate.

1.1 Accounts in local currency/Expenditure specification in SEK

The template 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/updated budget annexed to the Cooperation agreement.

The Accounts in local currency/Expenditure specification in SEK report must be signed by the person authorised to sign for the organisation as well as by the auditor. This is to certify that the organisation and the auditor agree that the statement is correct.

The template is composed of two (2) parts and described below:

(a) *Part (1) Specification of funds received* includes a specification of received funds from the Swedish partner organisation or the Palme Center, where the intermediary currency should be reported. Intermediary currency is defined as the currency received by the partner/local organisation from its designated bank and usually in Euro (EUR) or US dollars (USD) before converting to country's local currency. All this information should be written in the given form and should be supported with necessary documents.

If the organisation has remaining balance from previous year, the balance should also be included in the form in local currency as beginning balance for the year.

The partner/local organisation shall completely fill-out the form depending on the number of disbursements received from the Swedish partner organisation or the Palme Center. The average currency rate is computed at the end of each year. This will be the basis for computing the conversion rate from local currency to SEK.

(b) *Part (2) Specification on the use of funds* includes the actual details on how the funds were used for the year including the beginning balance as well as interest earned for the year and other contributions used for the project, if any.

The Accounts in local currency/Expenditure specification in SEK form must be signed by the person authorised to sign for the organisation as well as by the auditor.

1.2 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 organisation's accounting records and with the Palme Center's expenditure specification.

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.

1.3 Management letter and Management response with action plan

The auditor of the project in addition to the auditor's report shall enclose a Management Letter which shall contain the essential findings that the auditor has made during the audit. Any expenses with insufficient supporting documentation should be quantified regardless of materiality.

If the audited period is not the first period of the project, the auditor should follow up on any recommendations provided in the audit for the prior period.

The partner/local organisation shall also enclose a Management response together with an action plan to the auditor's management letter. The action plan shall contain among others but not limited to measures to be undertaken as well as timeline in implementing the identified measures.

1.4 Report over factual findings (ISRS 4400)

Shall likewise be included in the audit report.

1.5 Copy of the auditor's audit certification/registration

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 information contained in the abovementioned documents must be consistent in the narrative report. The Palme Center shall approve in writing all reports submitted by the partner/local organisation. Otherwise, no new funds shall be made available to the said partner/local organisation.

All templates and instructions needed for the reporting are available on www.palmecenter.se

2. DEPOSITING OF FUNDS

To facilitate good funds management, the funds must be deposited in a bank account signed jointly by at least two (2). The Palme Center strongly recommends that a separate account is opened for the project funds.

All project documents 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 template “Accounts in local currency/Expenditure specification in SEK”.

The partner/local organisation may use the interest earned under the condition that it is used for the project activities during its implementation period and approved by the Palme Center.

At the end of the project period, the interest earned that has not been used for project activities shall be repaid to the Palme Center. Amounts under SEK 500 do not require reimbursement.

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 lines in the specific budget as approved by the Swedish project organisation/the Palme Center (see annexed budget in the 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 updated final budget.

Changes or deviations in the approved budget should follow what is stipulated in the Cooperation agreement under 3 Realisation of the project.

5. MIDYEAR EXPENDITURE REPORT

Before receiving the second tranche of funds, the partner/local cooperation organisation shall submit an unaudited Midyear expenditure report to the Swedish project organisation/the Palme Center. The Midyear expenditure report shall contain an expense summary report on how the budget was used for a given period. Deviations if any, should also be contained in the report and must be explained by the partner/local organisation. Furthermore, the plans on how to use the remaining funds must also be included. The midyear expenditure report template is available on www.palmecenter.se.

6. YEARLY- AND FINAL REPORTS

6.1 Yearly reporting

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 (refer to Cooperation agreement). The report shall contain the following 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 on www.palmecenter.se .
2. **Financial part:** The second part of the report shall contain financial reports of funds received. The disposition of the statements shall be the same as that of the approved budget and shall be reported using the Palme Center forms:

- *Accounts in local currency/Expenditure specification in SEK* (signed by the person authorised to sign for the partner/local organisation as well as by the auditor), and;
- *An audit report according to ISA 805*
- *Management letter and Management response with action plan*
- *Report over factual findings (ISRS4400)* shall be attached to the financial reports.
- *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.

6.2 Final reporting

The **final report** shall be submitted the **1 February** the year after the completion of the project period. The final report shall contain the same two (2) 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 reports shall only comprise of the last project year.

The final reports 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 reports:** 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:
 - *Accounts in local currency/Expenditure specification in SEK* (signed by the person authorised to sign for the partner/local organisation as well as by the auditor), and.
 - *An audit report according to ISA 805*
 - *Management letter together with Management response with action plan*
 - *Report over factual findings (ISRS 4400)* shall be attached to the financial reports.
 - *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.

7. AUDIT

Audit shall be in accordance with the Olof Palme International Center's Audit Instruction available on www.palmecenter.se

8. CURRENCIES AND CURRENCY FLUCTUATIONS

To account for currency fluctuations, the template "Accounts in local currency" should be filled out.

The partner/local organisation must provide details of all currency exchanges throughout the year both in the intermediary currency (EUR or USD) and local currency. The organisation 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 as of December 31 of the current year can/may be transferred to the next budget period. The use of unutilised funds should be supported by a written approval from 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 remaining unutilised funds shall be repaid to the Swedish project organisation/the Palme Center.

9.2 Prolongation agreement and updated budget regulating unspent balances from previous year/s

If the agreement period runs for a year or less, a prolongation agreement **must** be signed 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 reports.

If the agreement period runs for several years, the Cooperation organisation shall no later than March 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 utilised 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 reports

If the project is to submit the final reports, then all balances must be cleared and funds cannot be moved to the next year's budget period.

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

Example

Funds received for the project:	300,000
Actual project costs:	270,000
Funds to be repaid:	30,000

On examining the Final Reports, the Palme Center issues a letter requesting the partner/local organisation to repay the funds as laid out in the above table.