

## Financial reporting on project support

A project must present a report on its financial activity from the most recent project year, i.e. 1 January through 31 December.

### A complete financial report package consists of:

- The **accounts in local currency/Expenditure specification in SEK** (Excel) form, signed by both the auditor and the person authorised to bind the company.
- An **auditor's report** in accordance with the Olof Palme International Center's audit instructions.
- A **Management Letter** and, if appropriate, **Management Response**.

When reporting on the operation, you must always “mirror” the approved budget and use the same headers as were used in the budget that was approved by the Palme Center when you started the financial year. The budget that applies is attached as an appendix to the partnership agreement. The only exception is if you have made adjustments during the budget year. In that case, you will have had a budget copy sent to you—and it is this budget that your report is to “mirror”.

In order to comply with the timetable and maintain a high level of quality in the report, it is essential to plan, maintain good communication and follow up on the project at regular intervals throughout the year. Do not forget that it often takes longer than you think to finalise the reports.

### Two stage reporting (applies if you have a Swedish partner organisation)

The local partner organisation submits its financial report, which is then examined and approved by a qualified auditor in the partner country. The report is subsequently sent to the Swedish partner organisation. In order to allow sufficient time for the responsible organisation in Sweden to review the report and pass it on to the auditor in Sweden, it must have arrived no later than 1 February after the end of each closed financial year

The verifications – i.e. the supporting documents for the financial report, receipts, etc. – do not normally have to be sent to Sweden, but can be kept by the recipient organisation. Please note that the verifications must be saved for seven years. In contrast, the audit documents (see under Audit below) must be attached to the report sent to the Swedish organisation.

The report from the Swedish organisation to the Palme Center must have been submitted no later than 1 March every year.

### Audit

Auditing involves the critical examination and evaluation of your report, and issuing a statement on the findings. The concept of auditing can also encompass investigating whether the operation is being run efficiently and fulfilling its goals.

All projects, irrespective of the sum involved, must be audited in connection with the financial reporting. The audit must be performed by a qualified auditor at least once a year. The auditor must also be independent of you and your partner organisation to guarantee that the examination can be performed independently of you as the client. This is an important part of the Palme Center's system for financial management and control. The Palme Center must make sure that the audit can be performed in accordance with international standards – which is not a given in certain partner countries – so we have agreements with local firms of auditors in almost all our partner countries.

The Palme Center's audit instructions must be followed for the audit of the annual report. You will find these instructions on our website under [Forms](#)

### **Management Letter and Management Response**

A management letter is another type of audit report that is less formally structured. It can contain a description of the observations made by the auditor, as well as recommendations for measures that the auditor considers necessary to rectify any deficiencies. Even though the auditor only reviews the project, a management letter often provides useful information about how the financial management system as a whole is functioning at the executing organisation(s). A management response is the organisation's answer to a management letter. If the auditor should recommend that you change some aspect(s) of your administration, the Olof Palme International Center will want to know what you intend to do and how you plan to take care of it.