



# Financial management of international projects

A guide to financial management of grants from the Danish Youth Council's Project Pool and the MENA-Denmark Partnership Pool

This manual has been prepared by Kristoffer Anhøj as consultant to the Danish Youth Council

# List of contents

<b>1. Preface</b>	<b>3</b>
<b>2. Project cycle</b>	<b>4</b>
2.0.1 Project cycle	4
2.1 Project cycle as timeline	5
2.1.1 Project-cycle timeline	5
<b>3. Budgeting</b>	<b>6</b>
3.1.1 A simple example of budgeting	6
3.1.2 Basic corner-shop maths	6
3.1.3 Thorough planning	7
3.1.4 Learn from previous experiences	7
3.1.5 Ask others	7
3.1.6 Start off on day 1	7
3.1.7 The partner organisation must get moving	7
3.1.8 Reality or illusion	7
3.1.9 General budget and detailed budget	7
3.1.10 Budget example	8
3.1.11 Numbers	10
3.1.12 Individual budget items	10
3.1.13 Project support	10
3.1.14 Evaluation	10
3.1.15 Information activities in Denmark	10
3.1.16 Auditing	11
3.1.17 Budget margin	11
3.1.18 Administration	11
3.1.19 Reallocation between main items	12
3.1.20 Ask DUF	12
<b>4. Hooray, we've got the money</b>	<b>13</b>
4.1 Corruption	13
4.1.1 Suspicion of irregularities	13
4.2 DUF requirements	14
4.2.1 Agreement on auditing of project accounts	14
4.2.2 Separate bank account	14
4.2.3 Budget modifications	15
4.2.4 Use of the budget margin	15
4.2.5 Copy of the audited annual accounts of the organisation (6 June)	16
4.3 Transfer of funds	16
4.3.1 Cash	16
4.3.2 Western Union	16
4.4 Disbursement request	17

4.5 Registration of project vouchers.....	18
4.5.1 Keep the receipt .....	18
4.5.2 Registration of vouchers .....	18
4.5.3 Example of manual registration of vouchers .....	19
4.5.4 Computerised voucher registration.....	20
4.5.5 How to enter the data into the computer .....	20
4.5.6 Weighted average exchange rate.....	21
4.5.7 Exchange rates in Excel .....	21
4.6 Financial report .....	22
4.6.1 Financial report in Excel .....	22
4.7 Project visit .....	23
4.7.1 Travel accounts in Excel .....	23
4.7.2 Three different spreadsheets .....	23
4.7.3 The overview spreadsheet.....	24
4.7.4 The list of vouchers spreadsheet .....	26
4.7.5 The exchange rates spreadsheet .....	27
4.8 Financial guidelines .....	28
<b>5. Submission of accounts.....</b>	<b>30</b>
5.0.1 Audited accounts .....	30
5.0.2 Interest refund .....	31
5.0.3 Inventory list and transfer document.....	31
5.1 Auditing of the accounts .....	33
5.2 Contents of the accounts .....	34
5.3 Example of presentation of final accounts.....	36
<b>6. Index .....</b>	<b>41</b>

# 1. Preface

It is always wonderful to be awarded a project grant. Efforts have been invested in drawing up a good application, and it is gratifying to know how the partner organisation will be able to use the project to great benefit. However, the grant is also accompanied by the heavy responsibility of a big sum of money. The funds will make a real difference, if they are spent properly, but may also bring discord and harm to the partner organisation, if they are administered inadequately.

This guide is an aid to manage the finances in projects funded by DUF's Project Pool and the *MENA-Denmark Partnership Pool*.

**The Project Pool** supports projects in cooperation between DUF member organisations and partner organisations in Africa, Asia and South America that contribute to strengthening democracy, involvement and participation for and together with children and young people in developing countries by means of organisational development and capacity building.

**The MENA-Denmark Partnership Pool** supports cooperation projects between DUF member organisations and partner organisations in the MENA region<sup>[1]</sup>. The objective of the pool is to promote civil rights among children and young people in the MENA region, as well as to foster dialogue between people from those age groups in Denmark and the MENA region.

At DUF, we are able to support such projects, because Danida (official Danish development agency) and “the Arab Initiative” under the Danish Ministry of Foreign Affairs have approved our application for funds for this purpose. Accordingly, DUF's member organisations can request funding of individual projects from DUF headquarters. The actual undertakings must be implemented by DUF member organisations in cooperation with their local partners.

This guide sets out specific guidelines and rules to be adhered to. At the same time, it offers suggestions on how to go about it in practice, and it raises issues that may be useful to ponder.

The guide has been structured along the lines of the cycle that a project usually goes through.

“Section **2. Project cycle**” describes a project cycle, in case you are unfamiliar with this.

“Section **3. Budgeting**” takes us to the preparatory phase, setting out how to draw up a good budget.

“Section **4. Hooray, we've got the money**” describes the financial management during the implementation and monitoring phase, while also presenting a series of DUF's various reporting requirements.

“Section **5. Submission of accounts**” takes us to the evaluation phase, setting out how to prepare the project accounts.

Two Excel templates have also been designed for the guide. These are available at [www.duf.dk](http://www.duf.dk).

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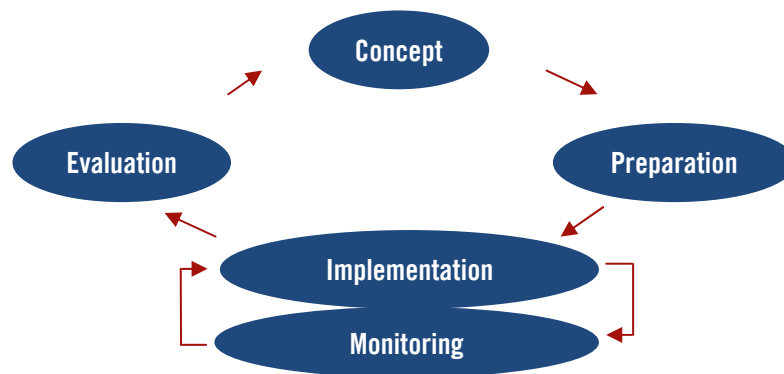
[1] MENA stands for Middle East and North Africa, and the MENA region is defined as Morocco, Algeria, Tunisia, Egypt, Lebanon, Iraq, Liberia, Syria, Jordan, Oman, Qatar, Yemen, Saudi Arabia, Kuwait, United Arab Emirates, Iran and Bahrain

## 2. Project cycle

When you work on a project, the myriad concerns involved can, at times, be overwhelming. Consequently, many ways have been devised to illustrate and comprehend a project. This guide starts from the notion of the project cycle, which begins with the first embryonic project concept and continues until the entire course of activities has been subject to an adequate evaluation. The model of the project cycle is useful in facilitating an overview of processes that may otherwise seem very diffuse. At the same time, it paints a good picture of how the various phases in a project are interrelated.

Today, a variety of cycles or models exist to describe the phases that a project may encompass, and how they unfold. Each one of them puts the emphasis on different factors. Some make sense in one context, while others are more fitting in another. What matters is merely to understand that no single model is the correct one. This guide, however, is based on the cycle illustrated below.

### 2.0.1 Project cycle



#### **Implementation**

To implement is to carry something out, in this case the activities of the project.

#### **Monitoring**

To monitor is to check, control and watch over something regularly, in this case the project to ensure that it stays on course.

#### **Evaluation**

To evaluate is to hold views about or to assess something, typically by investigating the results after its completion. In short, this is about estimating the quality of the project after it is finished.

## 2.1 Project cycle as timeline

A project typically comprises a range of activities and not least deadlines, which may be difficult to keep track of. Therefore, it can be useful to perceive the project cycle as a timeline. Below is an example. A timeline is plotted horizontally (month 1, 2 etc.), and the various deadlines and activities in the project have been entered. Moreover, it indicates who is responsible for the various steps.

### 2.1.1 Project-cycle timeline

	Activities	M 1	M 2	M 3	M 4	M 5	M 6	M 7	M 8	M 9	M 10	M 11	M 12	Partner responsible
1.0														
1.1														
2.0														
2.1														
	Reporting to Denmark													SOUTH
1.1	Financial report			X					X					SOUTH
1.2	Monitoring report			x					X					SOUTH
	Reporting to DUF													
1.1	Progress report				X					X				NORTH
	Start-up													
	Project period													
	Completion													

# 3. Budgeting

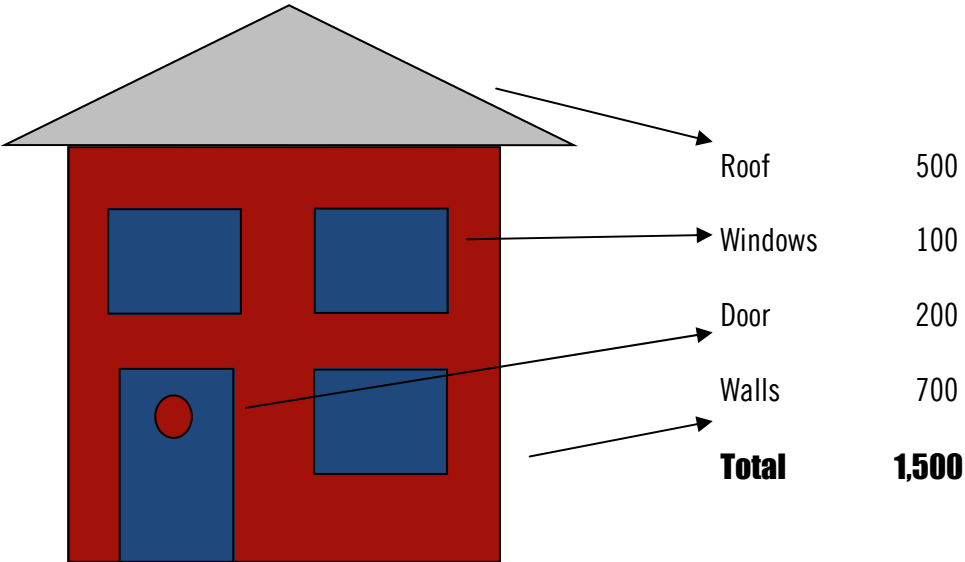
An important element in the preparation of a project is detailed budgeting. It is necessary to find out how much money the project is going to cost. By drawing up a budget, you gain an overview of the funds required to complete the intervention.

**Budget**  
A budget describes the expectation of what a project is going to cost. It is, in other words, an informed guess about the future.

## 3.1.1 A simple example of budgeting

Let us suppose that we are about to build a house. Before we begin, we have to find out what it will cost. If we do not know, we run the risk of suddenly running out of money halfway through the construction work.

To put it very simply, we soon realise that the house needs a roof. It should also have windows and a door, and the walls must be built. Now we can sum up our very simple budget estimate.



In this manner, we have formed a general idea of what the house is going to cost. Of course, this example is merely speculative, and hence highly incomplete. But it illustrates a couple of important points. Budgeting requires good planning and understanding of one's project. But technically, it is basic corner-shop maths.

## 3.1.2 Basic corner-shop maths

In technical terms, drawing up a budget is akin to adding together the prices of items on a shopping list. If a window costs 100 dollars, then what is the price of three units? Well, you multiply 3 by 100, entering an expense of 300 dollars into the budget.

This is continued with all the other expenses necessary to carry out the project. Finally, all the expenses are added together to determine the total cost level of the project. So technically speaking, it is not that hard to draw up a budget. The skill is in including all the expenses of the project.

### **3.13 Thorough planning**

Before a good budget can be prepared, it is necessary to have a fully-fledged plan for the project. It is not enough to establish, for example, that the project is about leadership training. We need to know much more. What leaders are to be trained? Where will they be trained? For how long should they be trained? Who is going to train them? Thus, there are plenty of things that need to be clear. Without such knowledge, it is almost impossible to draw up a budget.

### **3.14 Learn from previous experiences**

After that, the art of budgeting consists in not overlooking any costs. This may be easier said than done. Perhaps, you are in the lucky situation of having carried out a similar project before. If this is the case, it is always a good idea to see what was spent on that.

### **3.15 Ask others**

Complicating matters, you do not always have a former project that is identical. Therefore, it is very useful to ask others what they have done. If someone has tried something similar, you may as well learn from their experiences. There is no reason to repeat their mistakes.

### **3.16 Start off on day 1**

However, you cannot always count on other people's advice. So it may be a good idea to run through the project from A to Z. Imagine that you are starting on the project's first day. What is going to happen now? Perhaps you need to invite the participants to sign up for a leadership training course. It requires paper to make the invitations, and stamps to send them out. This is how you continue going through the entire project, until you have completed the budget.

### **3.17 The partner organisation must get moving**

At the time of preparing the budget, both the Danish organisation and the partner organisation in the developing country need to contribute. Given our different cultures and perhaps educational backgrounds, each party may remember to include different things in the budget. At the same time, such cooperation will give rise to shared ownership of the project as early as in the preparatory phase. And the organisations will reach agreement on what the money should be spent on. However, only the partner organisation is able to investigate how much the items on the budget actually cost. Here, it is not enough to go by guesswork. It is necessary to seek out the various teachers, shops and suppliers to find out the actual price of each item on the budget.

### **3.18 Reality or illusion**

Once the budget has been drawn up, we realise if our expectations of the project match the reality. Perhaps it turns out that some activities are simply too expensive, if the budget is to make ends meet. If the expenses are too high, it is necessary to go back and adjust the project activities. For this reason, it is also a good idea to prepare the budget on a computer spreadsheet. This makes it very easy to change individual figures and quickly see if the budget can be balanced.

### **3.19 General budget and detailed budget**

It is important that the budget be as well-arranged and easy to grasp as possible. Keep in mind that it needs to be read and understood by people other than those who prepared it. Accordingly, it may be useful to divide it into a general budget and a detailed budget. The general version sums up the major categories of spending, while the detailed budget breaks these down into minor items to show how the figures in the general budget have been arrived at. This creates clarity and enables meticulous planning. Below is an example of a budget divided into a general and a detailed budget.

### 3.1.10 Budget example

#### Budget for the project: "Leadership Training in Bujumbura"

<b>General budget</b>			
		<b>Foreign currency</b>	<b>DKK (Danish kroner)</b>
10	Preparatory meetings	50,000	5,000
20	Preparatory documents	20,000	2,000
30	Travel expenses	190,000	19,000
40	Board and lodging	215,000	21,500
50	External teachers	50,000	5,000
60	Teaching materials	80,000	8,000
70	Follow-up	115,000	11,500
80	Project visit	240,000	24,000
	<b>Project support total</b>	<b>960,000</b>	<b>96,000</b>
90	Evaluation (max. 7% of project support)	65,000	6,500
100	Information activities in Denmark (max. 2% of project support)	15,000	1,500
110	Auditing	60,000	6,000
120	Budget margin (max. 5% of project support)	45,000	4,500
	<b>Subtotal</b>	<b>1,145,000</b>	<b>114,500</b>
130	Administration (max. 7% of the subtotal)	80,000	8,000
	<b>Total</b>	<b>1,225,000</b>	<b>122,500</b>
	Exchange rate used	10	Currency /DKK

<b>Detailed budget</b>			
<b>10</b>	<b>Preparatory meetings</b>	<b>Foreign currency</b>	<b>DKK (Danish kroner)</b>
11	Travel to preparatory meetings	20,000	2,000
12	Accommodation for preparatory meetings	10,000	1,000
13	Food for preparatory meetings	10,000	1,000
14	Telephone and internet	5,000	500
15	Postage	5,000	500
	Preparatory meetings total	50,000	5,000
<b>20</b>	<b>Preparatory documents</b>	<b>Foreign currency</b>	<b>DKK (Danish kroner)</b>
21	Printing of folder about training	15,000	1,500
22	Postage	5,000	500
	Preparatory documents total	20,000	2,000
<b>30</b>	<b>Travel expenses</b>	<b>Foreign currency</b>	<b>DKK (Danish kroner)</b>
31	Planning group's ticket to and from the course	20,000	2,000
32	Travel of course participants	150,000	15,000
33	Transport during the course	20,000	2,000
	Travel expenses total	190,000	19,000
<b>40</b>	<b>Board and lodging</b>	<b>Foreign currency</b>	<b>DKK (Danish kroner)</b>
41	Participants' board and lodging	150,000	15,000
42	Planning group's board and lodging	20,000	2,000
43	Teachers' board and lodging	10,000	1,000
44	Additional accommodation prior to the course	5,000	500
45	Additional accommodation after the course	10,000	1,000
46	Rent of course premises	20,000	2,000
	Board and lodging total	215,000	21,500
<b>50</b>	<b>External teachers</b>	<b>Foreign currency</b>	<b>DKK (Danish kroner)</b>
51	Travel to and from the course	10,000	1,000
52	Fees	40,000	4,000
	Teachers total	50,000	5,000
<b>60</b>	<b>Teaching materials</b>	<b>Foreign currency</b>	<b>DKK (Danish kroner)</b>
61	Textbook	50,000	5,000
62	Paper, pencils etc.	10,000	1,000
63	Rent of projector	20,000	2,000
	Teaching materials total	80,000	8,000
<b>70</b>	<b>Follow-up</b>	<b>Foreign currency</b>	<b>DKK (Danish kroner)</b>
71	Writing of training manual	10,000	1,000
72	Printing of manual	100,000	10,000
73	Postage	5,000	500
	Follow-up total	115,000	11,500
<b>80</b>	<b>Project visit</b>	<b>Foreign currency</b>	<b>DKK (Danish kroner)</b>
81	International transport	140,000	14,000
82	Local transport	10,000	1,000
83	Board	20,000	2,000
84	Lodging	40,000	4,000
85	Communication	5,000	500
86	Immunisations and medicine	10,000	1,000
87	Insurance	10,000	1,000
88	Visa	5,000	500
	Project visit total	240,000	24,000

### **3.1.11 Numbers**

In this budget example, each item (line in the budget) has been allocated its own number. This serves to clarify matters, and when it needs to be discussed with others, it is simple to refer, for instance, to budget item number 63 *Rent of projector*.

### **3.1.12 Individual budget items**

The general budget is divided into six main items (project support, evaluation, information activities in Denmark, auditing, budget margin and administration). These are the standard main items used for DUF grants.

### **3.1.13 Project support**

The project support must include all the expenses on activities directly associated with the project. In this example, the project support has been divided into eight sub-items (preparatory meetings, preparatory documents, travel expenses, board & lodging, external teachers, teaching materials, follow-up, and project visit). Each of the 8 sub-items is subsequently explained in the detailed budget. It is necessary to itemise the project support in this fashion. However, to prevent the budget from becoming too confusing, DUF only accepts dividing the project support into maximum 10 sub-items. Any further breakdown of these sub-items must be relegated to the detailed budget.

It is important to ensure good coherence between the budget and the project application. The costs that appear from the budget should also be mentioned in the project application. And if unconventional or very expensive items are requested, it is important to explain why they are necessary.

Also try to assess whether the various activity costs are reasonable. For instance, if 100 people are attending a one-week course, it is reasonable for it to cost 500 Danish kroner per participant, and unreasonable if the expense is 50,000 Danish kroner per participant.

It is essential to be realistic about the costs. It is normally not acceptable to include items such as 'miscellaneous' or 'unforeseen expenses' in the budget. It is expected that you know which costs are associated with your project. If an expense is forgotten, there is no chance of coming back to ask for more money. Once the grant has been approved, it is conditional on adherence to the budget presented. For this reason, it is important to examine all aspects carefully. For example, if staff are to be employed in the project, it must be established what compulsory insurance will have to be purchased for these employees, including the expense in the budget under wage costs. And if a trip forms part of the project, a sum should be set aside for visas and possible charges for exit permits. Also keep in mind that DUF's pools normally do not cover maintenance allowances, general running costs or the purchase of land and real estate. Thus, it is also impossible to remunerate volunteers in the project.

### **3.1.14 Evaluation**

The evaluation of the project is not allowed to cost more than 7% of the actual project support.

### **3.1.15 Information activities in Denmark**

To ensure that the project is more solidly anchored among your grassroots in Denmark, it is possible to apply for an amount of up to 2% of the project support for information activities in Denmark. Furthermore, under the MENA-Denmark Partnership Pool, it is possible to insert a budget item – in addition to the one for information in Denmark – dedicated to information and debate in Denmark as well as in the country of cooperation.

### 3.1.16 Auditing

DUF-sponsored projects must normally have their accounts audited. Remember to consult with your auditor what it will cost. See also section 5.1 Auditing of the accounts for further information about this. Under the auspices of the MENA-Denmark Partnership Pool, DUF may enter into an agreement to take on the auditing of minor grants (for partner and project identification).

### 3.1.17 Budget margin

It is possible to apply for a budget margin of no more than 5% of the project support. Upon agreement with DUF, the budget margin may be spent on each of the main items in response to unforeseen expenses or a rise in prices, wages or exchange rates. The budget margin cannot be used to expand the activities. Accordingly, as long as the project advances without such unexpected problems, the budget margin will usually be left unspent.

### 3.1.18 Administration

When you apply for funds to DUF, you may request a fee for administration, since a far from trivial workload of administration and reporting should be expected when you receive a grant. You do not need to specify or document how you envisage the use of this money, neither in the budgeting nor in the accounting phase. The maximum administration fee is 7% of the total budget excluding administration.

In **the budgeting phase**, you calculate the administration fee as a percentage of the combined budget excluding administration costs.

In **the accounting phase**, the fee is disbursed as a percentage of actual spending excluding administration costs.

The administration fee should cover general administrative costs associated with the grant both in Denmark and in the country of cooperation. The boundary between general administrative costs and specific project expenses may seem to be blurred.

**General administrative costs** – i.e. expected to be covered by the 7% fee – refer to office supplies, communications with DUF, as well as reporting, budgeting and accounting tasks, both in the Danish and in the partner organisation.

**Project-specific expenses** – i.e. to be covered outside the 7% administration fee – refer to the direct costs of carrying out the project. Thus, this category normally encompasses expenses within the partner organisation for preparatory and planning meetings, steering group meetings and project-specific monitoring, including telephone and internet bills. The Danish organisation's spending on monitoring travel, i.e. visits to the project, usually counts as a project-specific expense, too. All project-specific expenses must be budgeted under "project support". It must be explained why such costs are necessary, and later it must be documented how the money has been spent.

### **3.1.19 Reallocation between main items**

The project must be implemented within the framework of the approved budget. Consequently, it is not allowed to just go ahead and move amounts from one budget item to another. If you wish to reallocate funds between the six main items (project support, evaluation, information activities in Denmark, auditing, budget margin and administration), DUF's approval must always be obtained beforehand.

However, within the item of project support, it is possible to move up to DKK 2,500 between each sub-item without seeking DUF's permission. Should you want to reallocate a larger amount, DUF must always be asked first. Remember that the item of project support needs to be broken down into sub-items. However, to prevent the budget from becoming overly complicated, DUF only accepts dividing the project support into a maximum of 10 sub-items.

### **3.1.20 Ask DUF**

If there are doubts about anything, you can always get in touch with DUF. We are very keen to help out. At the end of the day, it is also in our interest to eliminate as many ambiguities and mistakes as possible from the budgets that we need to assess.

## 4. Hooray, we've got the money

### – Financial management in the implementation and monitoring phase

It is always wonderful to get a positive reply to an application, which will benefit many people, and which may have taken a lot of time and effort. This section looks at how to ensure optimal management of the project's finances during the implementation and monitoring phase.

Once a project has been approved, 80% of the grant is disbursed by DUF to the Danish organisation. The remaining 20% is only paid out to the Danish organisation after the final project accounts have been submitted to DUF. After DUF's approval, it is incumbent on the Danish organisation to administer the project funds. The Danish organisation is responsible for the money that it transfers to the partner organisation, as well as for what it spends itself in Denmark. DUF is not responsible for the funds. Nor is Danida or the Arab Initiative, where DUF gets the money from.

#### 4.1 Corruption

A grant is accompanied by a responsibility. The funding approved must be properly spent. And as a Danish organisation, you have a major duty to protect your partner organisation, and not least any of its employees, both against committing mistakes and against being guilty of corruption. Corruption is punishable by Danish law. But sadly, in many countries it is an accepted practice. Therefore, it is a good idea for the Danish organisation to draw the partner organisation's attention to the fact that corruption will not be tolerated. When contracts are drawn up, Danida's corruption clause must always be inserted.

##### **Danida's corruption clause:**

*No offer, payment, consideration or benefit of any kind, which could be regarded as an illegal or corrupt practice, shall be made - neither directly nor indirectly - as an inducement or reward in relation to tendering, award of the contract, or execution of the contract. Any such practice will be grounds for the immediate cancellation of this contract and for such additional action, civil and/or criminal, as may be appropriate. At the discretion of the Royal Danish Ministry of Foreign Affairs, a further consequence of any such practice can be the definite exclusion from any tendering for projects, funded by the Danish Ministry of Foreign Affairs.*

You may see DUF's material about corruption for further information on this subject ([www.duf.dk](http://www.duf.dk)).

##### **4.1.1. Suspicion of irregularities**

If the Danish organisation or the partner organisation have any reasons to believe that corruption or any other irregularities take place in the project, DUF must immediately be contacted. It is important to notice that DUF must immediately be contacted also if you only have a suspicion of irregularities.

## 4.2 DUF requirements

While the project is in the implementation and monitoring phase, DUF makes a series of demands which must be met. Below, the requirements are briefly exposed.

### 4.2.1 Agreement on auditing of project accounts

After the project has been approved, your auditor must confirm in writing that he/she will audit the project accounts in accordance with the guidelines in force. This is usually a formality, and DUF has drawn up a standard document for this.

Agreement on auditing of project accounts	
Organisation's name:	
File number:	
Project title:	
Project period:	
Auditing firm:	
We hereby confirm that we will audit the accounts of the aforementioned project financed by a grant from the Mini-Programme Agreement between the Danish Ministry of Foreign Affairs and the Danish Youth Council (DUF) in accordance with the received auditing instructions.	
We also confirm that we are independent of the membership organisation responsible for the project.	
_____	_____
Date	Auditor's signature

### 4.2.2 Separate bank account

It is possible to receive 80% of the grant from DUF, when the project application has been approved. The remaining 20% is paid out after the project accounts have been submitted. To enable disbursements, a separate bank account must be opened to handle the project funds only. This is required, because accrued interest must always be paid back to DUF. In fact, a separate bank account must be opened both in Denmark and in the country of cooperation. In this regard, it is important to be aware that opening a new bank account may not always be straightforward. In many countries, for instance, it is conditional upon an initial deposit of a substantial amount.

### 4.2.3 Budget modifications

For any major project, DUF demands the preparation of a progress report every six months (on 6 January and 6 June) to account for the advance being made. This is also a good opportunity to examine if there is any need for changes in the budget. Even the most skilfully prepared of budgets may face unexpected price rises. If you prepare frequent financial reports, thus keeping good track of the finances of your project, it is relatively simple to figure out if overspending might be occurring within certain budget items.

If you want to move funds between the six main items (project support, evaluation, information activities in Denmark, budget margin and administration), DUF's approval must always be obtained beforehand. Within the item of *project support*, it is possible to move up to DKK 2,500 between each sub-item without seeking DUF's permission. Should you want to reallocate a larger amount, DUF must always be asked first. Remember that the item of project support needs to be broken down into sub-items. However, to prevent the budget from becoming too complicated, DUF only accepts dividing the project support into a maximum of 10 sub-items.

### 4.2.4 Use of the budget margin

If there is a need to modify the budget, another option is to use the item called budget margin, for instance if unforeseen expenses have emerged, or if prices, wages or exchange rates have increased. The budget margin cannot be spent on expanding the activities, and its use always requires the prior approval of DUF. If DUF gives the go-ahead, the amounts covered by the budget margin must be entered into the accounts under the budget item(s) for the relevant type of expense. In other words, "unforeseen expenses" cannot feature as such in the final accounts.

DUF has drawn up the following form to apply for use of the budget margin.

<b>Use of the item "budget margin"</b>	
File number:	
Organisation's name:	
Person responsible for the project:	
Date:	
We hereby request the use of DKK _____ from the item "budget margin".	
This is to cover the following expenses:	
_____	
_____	
If the request is accepted, the expenses will be classified under the following accounts:	
	Amount in DKK
Project support:	
Evaluation:	
Information activities in Denmark:	
Administration in Denmark:	
<b>Total</b>	
_____	
Signature of person responsible for the project	

## 4.2.5 Copy of the audited annual accounts of the organisation (6 June)

The project grant and the project expenditure throughout the year must appear from the Danish organisation's overall audited annual accounts. This is because, every year, DUF must prepare the final accounts for its pools, which is done on the basis of the figures in your audited annual organisational accounts. Consequently, a copy of your organisation's annual accounts must be sent directly to DUF's International Department by no later than 6 June.

## 4.3 Transfer of funds

When the project is to begin, there are several ways of transferring the project funds to the partner organisation. The money can be either carried in cash, sent through Western Union, or transferred from one bank to another. Here, we look at each of these three options.

### 4.3.1 Cash

In some projects, the easiest solution will be for the Danish organisation to bring the project funds in cash, when the project is about to be implemented. However, to combat money-laundering, it is not permitted to take more than € 10,000 out of the European Union. Moreover, most other countries in the world put a ceiling on the amount of cash that you can legally import. Carrying large amounts in bank notes also turns you into an obvious target of theft. Some insurance firms will insure cash, but traumatic experiences are hard to insure against. Consequently, you need to think carefully before carrying large amounts of cash on you.

### 4.3.2 Western Union

Western Union Money Transfer is another option, when funds need to be sent quickly. This company has one of the world's widest networks, encompassing over 150,000 agents worldwide. In Denmark, the post offices and local kiosks, among other outlets, serve as agents for Western Union. In other countries, Western Union typically uses local banks or department-store chains as its agents.

#### How the transfer takes place:

- In Denmark, somebody from the Danish organisation pays the money (plus a transfer fee) to the Western Union agent. At the same time, the name of a person in the partner organisation is given. The person making the payment in Denmark gets a receipt, which contains a control number.
- The person who made the payment in Denmark contacts the person in the partner organisation, passing on the control number.
- The person in the partner organisation can then approach any Western Union agent and have the amount paid out after showing valid ID. This receiving person must also be able to provide the name and surname of the person who has sent the money, the total amount and the control number.

Western Union states that the money can be paid out about 30 minutes after being sent from Denmark. You may see [www.westernunion.com](http://www.westernunion.com) for more details.

The advantage of Western Union is that the money will arrive quickly. However, the security is not optimal here either, since the money can only be exchanged between an individual from the Danish organisation and another from the partner organisation. As a result, people in Denmark as well as in the country of cooperation still have to handle large amounts of cash.

### 4.3.3 Standard bank transfer

When the project funds need to be sent to the partner organisation, the most common method is to order a transfer between two financial institutions. However, this may take a long time. Usually, the money must pass through 2-3 correspondent banks, before it reaches the recipient country. Consequently, an international bank transfer may take several weeks. In many countries, the bank fees are far from trivial, and certain governments may levy taxes on currency received from abroad.

#### **In a standard bank transfer, you must inform:**

- The partner organisation's bank.
- The partner organisations IBAN account number or full national account number.
- The partner organisation's bank's BIC number or SWIFT address.
- The partner organisation's name and address.
- Any message that you might have for the partner organisation.

## 4.4 Disbursement request

Even if you have great trust in your partner organisation, you should never transfer the entire project grant all at once. Instead, it is advisable to regularly let the partner request the transfer of minor portions of the total amount. On these occasions, the partner organisation will also be asked to account for its spending thus far.

#### **Briefly presented, this is how it should take place:**

- The partner organisation in Burundi is about to start planning its leadership training in Bujumbura.
- They ask the Danish organisation for an outlay of DKK 7,000 for:

<i>Budget item 10: Preparatory meetings</i>	DKK 5,000
<i>Budget item 20: Preparatory documents</i>	DKK 2,000
<b>Total</b>	<b>DKK 7,000</b>

- The Danish organisation transfers the amount of DKK 7,000 to Burundi.
- The partner organisation in Burundi sends the receipts to Denmark to document how the money has been spent.

There is also the possibility of passing on the money to the partner organisations in appropriate instalments, letting the partner organisation submit its accounts at the end. However, this procedure is not recommended. The demands for accounting and auditing of project funds are very strict (see section 5 about the submission of accounts), and they are easier to meet when only outlay for specific spending purposes is disbursed to the partner organisation.

But how do you help your partners to keep track of their spending of the outlay that you have sent to them? This is the subject of the next section.

## 4.5 Registration of project vouchers

How do we keep track of the funds used in the project to enable us to draw up the project accounts? Let us take a closer look at this.

### 4.5.1 Keep the receipt

First and foremost, let it be clear that we must be able to document how we have spent the money in the project. Thus, it is not enough to explain that we have paid three dollars for ten bananas. We must in fact be able to prove that we have bought the bananas at that price. In order to do so, we need 'vouchers' – accountant-speak for proof on paper, such as a receipt – to account for all actions in the project with financial implications. Every time something is purchased, we must keep the receipt, and every time that we remunerate the staff, for example, we must prepare a corresponding pay slip.

However, you do not always get receipts. In many countries, for instance, these are not given at the local market. In such cases, many Danish auditors accept two persons testifying that, say, 10 bananas were bought at three dollars. But not all auditors will go along with this, so you need to agree with your auditor what to do in such cases.

### 4.5.2 Registration of vouchers

All vouchers must be registered in order to make up the project bookkeeping. Each voucher is registered under one of various accounts. Despite their similar name, these should not be confused with bank accounts. The number of accounts depends on how many items will form part of the bookkeeping. The previously presented main budget of the project example lists an array of budget items. It becomes natural to turn these into bookkeeping accounts, and then register each voucher under one of them.

#### Accounts for the project "Leadership Training in Bujumbura"

Project support	
10	Preparatory meetings
20	Preparatory documents
30	Travel expenses
40	Board & lodging
50	Teachers
60	Teaching materials
70	Follow-up
80	Project visit
90	Evaluation
100	Information activities in Denmark
110	Auditing
130	Administration in Denmark

In this example, it is appropriate to operate with 12 different accounts. In other projects, there will be more or fewer. Already in the budgeting phase, we encode individual budget items with numbers. These have been preserved here as numbers of the accounts, because it makes it easy to compare the budget with the accounts. However, if we have not numbered the budget items beforehand, we should do that now with the various accounts.

The actual registration of individual vouchers can be performed either by computer or manually. Here, we will do it both manually and on a computerised spreadsheet. If you know how to use computer programs, this is clearly the easiest way. However, the system is the same regardless.

The actual registration takes place using the following table:

Date	Voucher	Text	Amount	Accounts												
				10	20	30	40	50	60	70	80	90	100	110	120	130
<b>Total</b>																
<b>Total</b>																

### 4.5.3 Example of manual registration of vouchers

The project has now been underway for some time, and money has been spent on various items. Our present task is to register each voucher, that is, we need to associate the various receipts with particular accounts.

#### Vouchers:

- 07 Jan xx: Bus ticket from Mr. X regarding planning meeting. 5,000 ,-
- 07 Jan xx: Bus ticket from Mrs. Y regarding planning meeting. 3,000 ,-
- 07 Jan xx: Lunch for planning meeting. 3,000 ,-
- 07 Jan xx: Hotel accommodation for Mr. X. 4,000 ,-
- 07 Jan xx: Hotel accommodation for Mrs. Y. 4,000 ,-
- 07 Jan xx: Dinner for planning meeting. 5,000 ,-
- 11 Jan xx: Printing of 200 folders. 10,000 ,-

We now put a number on each voucher, starting with 1. Thus, we write 1 on the receipt for Mr. X's bus ticket, 2 on the receipt for Mrs. Y's bus ticket, and so forth.

At the same time, we register the data in the table:

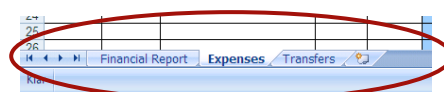
Date	Voucher	Text	Amount	Accounts												
				10	20	30	40	50	60	70	80	90	100	110	120	130
07 Jan xx	1	Bus ticket for Mr. X	5,000	5,000												
07 Jan xx	2	Bus ticket for Mrs. Y	3,000	3,000												
07 Jan xx	3	Lunch, planning.	3,000	3,000												
07 Jan xx	4	Hotel Mr. X	4,000	4,000												
07 Jan xx	5	Hotel Mrs. Y	4,000	4,000												
07 Jan xx	6	Dinner, planning	5,000	5,000												
11 Jan xx	7	Printing of folder	10,000		10,000											
<b>Total</b>			<b>34,000</b>	<b>24,000</b>	<b>10,000</b>											
<b>Total</b>			<b>34,000</b>													

Altogether, we now see that a total of 34,000 has been spent in the project. Of this, 24,000 has been entered into account no. 10. Preparatory meetings, while the last 10,000 is recorded on account no. 20: Preparatory documents. At the bottom of the table, we add the figures from individual accounts together. In this way, we can check that no calculation error or similar has been committed. This is because it must produce the same result when we add all figures from the column Amount as when we put together all figures along the second-to-last row with the sums for each individual account. In this case, both add up to 34,000.

#### 4.5.4 Computerised voucher registration

At DUF's website ([www.duf.dk](http://www.duf.dk)), you can download an Excel template, which may serve as a starting point if you wish to use this computer program for your bookkeeping. The template has been prepared in English rather than Danish to enable the partner organisation to use it. It encompasses three spreadsheets, namely 'Financial Report', 'Expenses' and 'Transfers'.

The following presentation of the template will be much easier to understand, if you can open the template file on a computer next to you.



#### 4.5.5 How to enter the data into the computer

Having downloaded the template from DUF's website, we can enter individual vouchers into the spreadsheet, just as in the case of manual registration. The advantage here is that we no longer need to add the figures together manually.

Expense no.	Date	Text	Amount	Account no.	Preparatory meetings	Preparatory documents	Travel expenses	Board and lodging	
					10	20	30	40	
					<b>Sum:</b>	24,000	10,000	0	0
1	07 Jan xx	Bus ticket for Mr. X	5,000	10	5,000				
2	07 Jan xx	Bus ticket for Mrs. Y	3,000	10	3,000				
3	07 Jan xx	Lunch, planning.	3,000	10	3,000				
4	07 Jan xx	Hotel Mr. X	4,000	10	4,000				
5	07 Jan xx	Hotel Mrs. Y	4,000	10	4,000				
6	07 Jan xx	Dinner, planning	5,000	10	5,000				
7	11 Jan xx	Printing of folder	10,000	20		10,000			

In the Excel table, we have inserted one more column called 'Account no.'. Here, we write the number of the account on which each voucher is registered. Then Excel takes care of entering the amount into the right account. The use of a computer offers the clear advantage of enabling us to see, right after registering each voucher, exactly how much we have spent. For each account, the figures are automatically put together in the row towards the top of the spreadsheet. Furthermore, computerisation facilitates the preparation of financial reports and calculation of exchange rates. This will be examined below.

### 4.5.6 Weighted average exchange rate

When DUF funds a project, disbursements are always effected in Danish kroner (DKK). Consequently, the money must be changed into another currency. Any gains from exchange-rate fluctuations, which often occur, must always be returned to DUF, and can never benefit the project. However, it is easy to avoid the problem of exchange-rate gains simply by using a so-called weighted average exchange rate. This is explained below.

Let us suppose that we have transferred the following amounts to the partner organisation:

On 15 Dec xz, we transferred DKK 10,000, which was changed into the local currency amount of 99,100.  
On 10 Jan xx, we transferred DKK 50,000, which was changed into the local currency amount of 519,500.  
On 11 Feb xx, we transferred DKK 10,000, which was changed into the local currency amount of 98,500.

Altogether, we have thus transferred DKK 70,000, which was changed into the local currency amount of 717,100.

Consequently, the weighted average exchange rate is:  $717,000/70,000 = 10.24$ , i.e. DKK 1 is 10.24 in local currency.

This table sums it up and presents it more clearly:

Date	Amount (DKK)	Rate	Amount (local currency)
15 Dec xz	10,000	9.91	99,100
10 Jan xx	50,000	10.39	519,500
11 Feb xx	10,000	9.85	98,500
<b>Total</b>	<b>70,000</b>		<b>717,100</b>
<i>Weighted average exchange rate</i>		<i>10.24</i>	

However, it is important to keep in mind that a weighted average exchange rate will never remain completely fixed. It will be constantly moving, albeit usually slightly, as money is exchanged. Consequently, the total spending in Danish kroner will also change as money is transferred and exchanged at differing rates.

### 4.5.7 Exchange rates in Excel

If we choose the spreadsheet Transfers in the Excel template, it is possible to enter the currency exchanges. Then Excel will calculate the exchange rates automatically. This makes everything a little easier. Here is a presentation of how the figures are registered in the Excel template.

Transfers to partner				
Transfer no	Date	Amount in DKK	Rate	Amount in local currency
1	15 Dec xz	10,000	9.91	99,100
2	10 Jan xx	50,000	10.39	519,500
3	11 Feb xx	10,000	9.85	98,500
		<b>70,000</b>	<b>10.24</b>	<b>717,100</b>

## 4.6 Financial report

In order to follow the advance of the project, not least in terms of spending, it is a good idea to prepare regular financial reports. Depending on the nature of the project, such a report should typically be issued at least once a month. The financial report makes it possible to assess whether changes in the budget are required. Some prices may rise, and others may fall. Remember that DUF must approve budget modifications.

### Example

Following the example from the manual registration of vouchers, the financial report will look like this:

Financial report (from 1 Jan xx to 11 Jan xx)				
		Budget (DKK)	Accounts (local currency)	Accounts (DKK)
	<b>Project support</b>			
10	Preparatory meetings	5,000	24,000	2,332
20	Preparatory documents	2,000	10,000	972
30	Travel expenses	19,000	0	
40	Board & lodging	21,500	0	
50	Teachers	5,000	0	
60	Teaching materials	8,000	0	
70	Follow-up	11,500	0	
80	Project visit	24,000	0	
	<b>Project support total</b>	<b>96,000</b>	<b>34,000</b>	<b>3,304</b>
90	<b>Evaluation</b>	6,500	0	
100	<b>Information activities in Denmark</b>	1,500	0	
110	<b>Auditing</b>	6,000	0	
120	<b>Budget margin</b>	4,500	0	
	<b>Subtotal</b>	<b>114,500</b>	<b>34,000</b>	<b>3,304</b>
130	<b>Administration in Denmark</b>	8,000	0	
	<b>Total</b>	<b>122,500</b>	<b>34,000</b>	<b>3,304</b>

Now we can see how much has been spent in local currency as well as in Danish kroner (DKK). The budget was drawn up in Danish kroner, so the figures in this currency are the ones that count. Of course, this is because the project grant was approved in Danish kroner.

### 4.6.1 Financial report in Excel

If we have entered the data of all vouchers into the spreadsheet Expenses and all our currency exchanges into the spreadsheet Transfers, the financial re-port will appear automatically as the spreadsheet Financial Report. Accordingly, computerisation makes it all a little easier. Here to the right, you can see what the financial report would look like in Excel.

Financial Report: Leadership Training in Bujumbura				
Account no	Financial Report	Budget (DKK)	Spent (local currency)	Spent (DKK)
	<b>Project Support</b>			
10	Preparatory meetings	5,000	24,000	2,343
20	Preparatory documents	2,000	10,000	976
30	Travel expenses	19,000	0	0
40	Board and lodging	21,500	0	0
50	Teachers	5,000	0	0
60	Teaching materials	8,000	0	0
70	Follow-up	11,500	0	0
80	Project visit	24,000	0	0
	<b>Project support total</b>	<b>96,000</b>	<b>34,000</b>	<b>3,319</b>
<b>90</b>	<b>Evaluation</b>	6,500	0	0
<b>100</b>	<b>Information activities in DK</b>	1,500	0	0
<b>110</b>	<b>Auditing</b>	6,000	0	0
<b>120</b>	<b>Budget margin</b>	4,500	0	0
	<b>Subtotal</b>	<b>114,500</b>	<b>34,000</b>	<b>3,319</b>
<b>130</b>	<b>Administration in Denmark</b>	8,000	0	0
	<b>Total</b>	<b>122,500</b>	<b>34,000</b>	<b>3,319</b>
<b>Exchange rate - mean</b>		10.24		

## 4.7 Project visit

It is always enjoyable to visit the project, meet the people from your partner organisation, and perhaps conduct activities together. However, most find it difficult when they have to submit the accounts. This may indeed be a demanding task. You typically need to keep track of several exchange rates, and there may even be several fellow travellers, who have paid different types of bills throughout the visit or activity.

However, you do not have to get completely lost. Be consistent, and always get a receipt when you buy something. And then spend 10 minutes a day typing the expenses into the Excel template presented here. That will make the job more straightforward.

A good trick is to always carry a small pocketbook. Every time you buy something, you write it down. This makes it easy to keep a record of what has been purchased in the course of the day.

In many countries, it is not always easy to get a receipt. For example, if you buy at a local market, they may not be able to give you one. Consequently, many Danish auditors will accept that you prepare your own receipt in such cases, getting two persons to sign their confirmation of what has been bought. However, you must find out what your own auditor will agree to.

Before departure, it may be a good idea to print out template forms that are easy to fill in during your travel. A receipt may typically look like this:

In the field "FOR", you describe the product or service in as much detail as possible. So instead of writing, say, "fruit", you should put "10 bananas and 1 pineapple", etc.

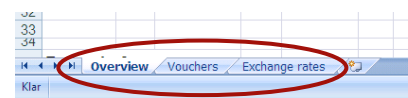
### 4.7.1 Travel accounts in Excel

Today, when most people travel with a laptop computer, using it to maintain your travel accounts is by far the easiest way. Accordingly, below we shall look at how to use the Excel template that is available alongside this guide. The template allows for up to four people travelling together, with each one of them paying for common expenses. Furthermore, the template is able to handle payments in Danish kroner, US dollars, euros and three currencies of your choice. It has been set up so that you can always see the total spending in Danish kroner.

<b>Name of organisation</b>	
Address	
City	
Date: _____	
<b>Expense</b>	
<b>FOR:</b>	<b>AMOUNT:</b>
<b>Total</b>	
Name: _____ Signature: _____	
Name: _____ Signature: _____	

The template requires a minimum command of Excel, and should be possible to use for anyone with basic mastery of user-level computing.

### 4.7.2 Three different spreadsheets



The Excel template contains three different spreadsheets. The one called Overview enables you to see what has been spent during your travel. Another called Vouchers is used to register individual receipts. While Exchange rates is where the various exchange rates must be entered. By clicking the mouse, you can move from one spreadsheet to another at the bottom of the screen in Excel.

### 4.7.3 The overview spreadsheet

1. At the top of the overview spreadsheet, you must type in the name and address of your organisation.
2. After that, you can enter the destination and period of your travel.
3. Then fill in the names of the travellers, which will thus be automatically updated everywhere else in the template.
4. The template will already indicate ten different items, which may be relevant to use in travel accounts. These are International Food/drink transport, Local transport, etc. The one called Activity may be used if you need a special additional item.
5. In the Budget column, you may now type in a budget for your travel. As the receipts are gradually registered, the Spent column will enable you to see how much money has been spent, and the next Balance column what is left to be used in compliance with the budget. The Variance column calculates the budget variance, i.e. the percentage of spending either above or below the amount that was budgeted.

**1**

Type in name of organisation  
Type in address of organisation

---

**Travel accounts** Date: 10 Jan 2008

Fill in fields with colour:

Trip to:  country/project

Period:  from:  Total days  **2**

Traveller 1 Fill in name 1 **3**

Traveller 2 Fill in name 2

Traveller 3 Fill in name 3

Traveller 4 Fill in name 4

Account		Budget (DKK)	Spent (DKK)	Balance (DKK)	Variance (%)
10	International transport	type in amount	0	#VÆRDI!	#VÆRDI!
20	Local transport	type in amount	0	#VÆRDI!	#VÆRDI!
30	Food and drink	type in amount	0	#VÆRDI!	#VÆRDI!
40	Accommodation	type in amount	0	#VÆRDI!	#VÆRDI!
50	Communications	type in amount	0	#VÆRDI!	#VÆRDI!

**4** **5**

**Refund of expenses** 6

---

Traveller 1 *Fill in name 1*

Phone:  Address:

Email:  Postcode & town:

---

Spent on the trip			DKK	<span style="color: red; font-weight: bold;">7</span>
			0,00	
Received on account 1	on	date		<span style="color: red; font-weight: bold;">8</span>
Received on account 2	on	date		
Received on account 3	on	date		
<b>Total to be disbursed</b>			0,00	

---

**I wish to have my outstanding balance, if any, paid to:** 9

Sort code  Account no.

In  Name of bank

---

Signature/ *Fill in name 1*

**6.** At the bottom of the overview spreadsheet, you type in the data on individual travellers, such as telephone number, address, etc.

**7.** Next to the name of each traveller, the template also automatically shows how much the person concerned has spent, as the receipts are registered in the spreadsheet called Vouchers.

**8.** If the individual traveller has received an amount on account prior to departure, this may be inserted here. Then it will automatically be set off against spending, and further down it will be shown how much each person is owed.

**9.** At the bottom, you may type in a bank account number, into which any outstanding amount can be deposited. Finally, each traveller may sign the accounts.

## 4.7.4 The list of vouchers spreadsheet

**Used currencies:**

DKK	Danish kroner	CuA	Burundi francs
USD	US dollars	CuB	Foreign currency - type in name
EUR	euros	CuC	Foreign currency - type in name

**2**

**Currencies - average exchange rates**

DKK per DKK:	1,00	DKK per CuA:	1,000
DKK per USD:	1,00	DKK per CuB:	1,000
DKK per EUR:	1,00	DKK per CuC:	1,000

				Traveller				International transport	Local transport	Food and drink	Accommodation	Communications	Immunisation & medicine	Insurance	Visa	
				1	2	3	4	10	20	30	40	50	60	70	80	
Sum:				283	0	0	0	0	0	3	0	0	0	0	280	
Voucher no.	Date	Text	Amount	Currency	Amount (DKK)	Account	Traveller (1, 2, 3, 4)									
1	12 Feb xx	Visa	50,00	USD	280	80	1	280								280
		Water	300,00	CuA	3	30	1	3								
					0											
					0											

**1**

**1.** Individual vouchers must be registered in the spreadsheet for that purpose. In this case, we have entered two.

- On 12 Feb xx, traveller 1 bought a visa at 50 dollars.
- On 12 Feb xx, traveller 1 bought water at 300 Burundi francs.

Consequently, the number 1 is written on the visa receipt. Under *Voucher no.*, we also put 1. Under *Date*, we write 12 Feb xx, i.e. the day the visa was bought. Under *Text*, we write Visa, since this is what was purchased. Under *Amount*, we enter 50, and under *Currency* we put USD, since the visa was priced at 50 dollars. If we have registered our exchanges in the spreadsheet called *Exchange rates*, the 50 dollars will automatically be converted into Danish kroner (DKK). In this case, USD 50 is the equivalent of DKK 280. In the column for *Account*, we write 80, since the visa pertains to account no. 80. Given that traveller 1 has paid for the visa, we write 1 next to Traveller. Now you will see that DKK 280 is automatically registered for traveller 1 and DKK 280 appears under account 80: Visa.

**Notice that you need to enter your currency exchanges in the spreadsheet *Exchange rates*, before the template can make the correct conversion into Danish kroner. If you have entered nothing, the conversion will be completely wrong.**

**2.** The template can handle payments in Danish kroner, dollars, euro and three currencies of your choice, here called CuA, CuB and CuC. In this case, we need to use the currency of Burundi, so this is why we have renamed CuA as *Burundi francs*.

## 4.7.5 The exchange rates spreadsheet

Weighted average exchange rates											
DKK per DKK:		1,000		CuA - Burundi franc							
DKK per USD:		5,603		CuB -							
DKK per EUR:		1,000		CuC -							
DKK per CuA:		0,010									
DKK per CuB:		2,53417									
DKK per CuC:		2,53417									
				sum							
				Rate							
				DKK/USD							
				DKK/EUR							
				DKK/CuA							
				DKK							
				EUR							
				DKK							
				CuA							
No.	Traveller	FROM-TO	Original currency (from)	New currency (to)	Rate	DKK	USD	DKK	EUR	DKK	CuA
1	2	DKK-USD	11205	2000	5,60	11.205	2.000				
2	2	USD-CuA	500	275500	0,00						
					####						
					####						
					####						

In the spreadsheet called Exchange rates, we must register every time we exchange currency. In this case:

- Traveller 2 changed 11,205 Danish kroner into 2000 US dollars.
- Traveller 2 changed 500 US dollars into 275,500 Burundi francs.

Accordingly, the first currency-exchange receipt gets the number 1. Next to Traveller, we write 2, since it was traveller 2 who carried out the exchange. And since it concerns Danish kroner being changed into US dollars, DKK-USD is chosen on the drop-down list. Under Original currency, we enter 11,205, and under New currency we write 2000, since 11,205 Danish kroner was changed into 2,000 US dollars.

**Notice that you may only exchange currencies in the combinations offered by the drop-down list.**

The commission on the currency exchange must either be charged from the administration fee, or we need to budget for it in the project budget.

## 4.8 Financial guidelines

In some cases, an approved project grant leads to a substantial increase in the total turnover of the Danish organisation, as well as of the partner organisation. Both parties may have to handle much greater amounts than they are used to. Therefore, it may be a good idea to draw up some financial guidelines in connection with the project. These must set out all financial policies and procedures in the project.

Financial guidelines must always be tailored to individual organisations and the project at hand, but you may consider covering the following subjects:

- Bookkeeping routines and internal controls
- Rights of disposal
- Handling of cash amounts
- Rules for the use of cars, buildings and equipment
- Suspicion of fraud

### Bookkeeping routines and internal controls

It should be written down who is responsible for the practical bookkeeping in the project, since it may well give rise to confusion, if several persons take turns to perform this function. However, in certain projects it may be useful to assign different people to different parts of the bookkeeping.

It should also be agreed when the bookkeeping is expected to be updated. Depending on the project, it may, for instance, be decided that the bookkeeping will be updated once a week. You must also determine how to ensure within the organisation that no employee commits mistakes or outright fraud. For example, if someone is designated the responsibility for bookkeeping, it can be agreed that the head of department must go through the accounts once a week, making sure that everything is as it should be. In addition, once a month, someone in elected office, say, a member of the steering group, may perform yet another check. Thus, a system is created in which nobody is tempted to break the law. Another option is to elect two internal auditors at the organisation's annual general meeting, charged with ensuring that everything is in order.

### Rights of disposal

In most projects, the purchases to be carried out are far from trivial. Consequently, it is important to write down clearly who is allowed to buy what. Normally, it will be up to the project's steering group to take such decisions, but perhaps the organisations' top governing body also needs to be involved. A typical set-up is to assign responsibility to individual steering group members for their respective budget items or parts of the project. Each steering group member may, for instance, be authorised to approve all purchases below DKK 500, if they are in accordance with the budget. If over DKK 500 is to be spent, at least two steering group members must give their consent, and if the amount exceeds DKK 10,000, the entire steering group, the organisation's senior management or top leadership may have to become involved. This ensures that the disposal of all funds is in the project's interest, and that no single person can be tempted into committing fraud.

### Handling of cash amounts

If you keep money in cash, there is always a risk that it may be stolen. Therefore, there should be written rules laying down how cash should be handled. The following aspects may be useful to consider:

#### Keep incoming and outgoing amounts separate

The money received by the organisation in cash should always be directly deposited in the bank account. Because it may give rise to confusion if such funds are mixed up with what the organisation has to pay out.

#### Always give a receipt for amounts received

If a receipt from a numbered receipt book is always handed out for money paid in, the person receiving the money will be protected against the temptation to put the money in his or her own pocket.

#### Always get a receipt for amounts paid out

Remember that we must always be able to prove what we have bought. Only a receipt can serve this purpose. However, at the local market, we cannot get one. Then two persons from the organisation must confirm the purchase with their signature.

#### Always deposit cash into the bank account

If you have large amounts of cash lying around, you turn into an obvious target of theft. Moreover, it may tempt people to 'borrow' some of the money. Therefore, cash should be deposited into a bank account on a daily basis. If possible, cash should always be moved by car, or by two persons going to the bank together.

#### Maintain set procedures for how money can be received

It is a good idea to establish rules for when the organisation can receive money. For example, it is inconvenient if money is given to the organisation on a Friday afternoon after the bank has closed. Because then the organisation will have to store it until the bank opens on Monday morning.

When you appeal for money in a collection, there must always be at least two persons present. Then both have to count the money and sign their confirmation of the amount.

#### Limit access to stored cash

As few people as possible should have the key to the safe, or to the office where the money is kept.

#### Limit the use of cash

Whenever it can be avoided, it is better to refrain from paying or being paid in cash.

#### Agree the time of settling the accounts

When an outlay is given to employees or volunteers, entrusting them to buy things on the organisation's behalf, it should always be agreed at what time the accounts will be settled.

### **Rules for the use of cars, buildings and equipment**

The project may also make use of cars, buildings and various types of equipment. Consequently, it is a good idea to write down whether and how these goods may be used privately. Is a driver or head of department, for instance, allowed to borrow a project car for the marriage of a cousin or to go shopping for his family? In some cases, this could be considered part of the salary, and hence be quite reasonable. What matters is to set this down in writing. It must also be clarified who should pay for petrol etc. Must the car be returned with a full tank, or must the borrower pay an agreed amount per mile or kilometre driven? The same applies to project buildings and equipment. Can this be used for private ends, and according to which rules?

### **Suspicion of fraud**

What should an employee/volunteer do, if there is suspicion of fraud in the project? For this, it is important to have rules in writing, so that nobody can doubt what to do. Typically, someone from the organisation's top leadership or senior management must first be contacted, and will be responsible for investigating the case. However, the person to call could also be the organisation's internal or external auditor.

DUF has also prepared material about corruption in Danish and English, which is recommended reading. See more at: [www.duf.dk](http://www.duf.dk).

Remember that the Danish organisation is duty-bound to contact DUF immediately in case of suspicion of irregularities.

## 5. Submission of accounts

At the end of its implementation, the project must be evaluated. A key element in this exercise is to prepare the audited project accounts. However, DUF also demands other documents:

- **Audited accounts** (no later than three months after project completion)
- **Interest refund** (as part of the audited accounts)
- **List of inventory and transfer document**

Many people find it difficult to prepare the accounts. Therefore, it is important to keep in mind that you can always get in touch with DUF in case of any doubt. At the end of the day, DUF is just as interested as you in correctly prepared accounts being submitted the first time. So please, never hesitate to contact DUF.

### 5.0.1 Audited accounts

After the project has been completed, the combined accounts of the project must be submitted within three months. The accounts must be audited separately by a chartered or certified public accountant.

In the case of appraisals funded by the DUF Project Pool, the bookkeeping must be incorporated into the organisation's overall audited annual accounts and, if the appraisal results in a pilot or organisational-development project, also into the audited project accounts.

As for undertakings financed by the MENA-Denmark Partnership Pool, it is also possible to enter into an agreement that assigns the auditing of minor grants (for partner and project identification) to DUF.

As the Danish organisation, you will be responsible for the project funds paid by DUF. Therefore, you must make sure that you as well as your partner organisation are capable of submitting reliable and trustworthy accounts. This means that the financial procedures must be reassuring, for instance by operating with a proper internal control system that will spot any mistakes. The bookkeeping should take place continuously to keep it up-to-date, and must also be documented with vouchers and otherwise adhere to sound and generally accepted bookkeeping and accounting principles. If you follow the essence of the last section about financial management during the implementation and monitoring phases, you should have no problem meeting these demands.

The Danish Bookkeeping Act also requires all accounting records to be stored for five years after project completion. This means that individual receipts and other vouchers must be kept for at least five years.

As the Danish organisation, you are also responsible for the auditor being familiar with the accounting instructions laid down by the Danish Ministry of Foreign Affairs. ("Instructions concerning the performance of audits in connection with the administration of grant funded activities under mini-programme agreements"). One set of instructions applies to individual projects with budgets below DKK 200,000, and another to those above DKK 200,000. Notice that these guidelines are also available in Danish and Spanish.

In all other respects, the accounts must comply with the accounting and auditing requirements laid down by the Danish Ministry of Foreign Affairs. If you follow the example outlined in section 5.3 *Example of presentation of final accounts*, you will meet these demands.

## 5.0.2 Interest refund

As soon as the project funds are deposited in a bank account, interest will be added continuously. All interest accrued must be refunded to DUF, which is duty-bound to transfer all such earnings to Danida and the Arab Initiative. This is another reason why it is important to comply with the requirement that project funds be deposited in a separate bank account. A bank statement concerning the relevant account will easily reveal how much interest has been earned.

DUF has prepared the following form to be used for interest refunds.

<b>Interest refund</b>	
File number:	
Name of organisation:	
Person responsible for the project:	
Date:	
We are hereby refunding all interest accrued during the project period, DKK _____	
The total amount of interest accrued during the year in which the bank account has been zeroed/closed appears on the attached bank statement.	
Given the previously reported addition of interest, the annual accruals are as follows:	
	Accrued interest
Year 1:	
Year 2:	
Year 3:	
Total	
_____ Signature of person responsible for the project	

## 5.0.3 Inventory list and transfer document

In most projects, various types of equipment or inventory will be purchased. If part of the project grant is used for this, a list must be drawn up, indicating the budgeted cost and the actual price paid. However, notice that DUF must have authorised your purchase of inventory or equipment, for instance by approving the project budget. The list of inventory must declare all equipment or inventory procured at a value above a floor laid down by the Danish tax authorities (2008: DKK 12,000). Upon project completion, the inventory list must be signed by the person responsible within your organisation and by the auditor.

If you hand over equipment, inventory or buildings to your partner organisation at the end of the project, a transfer document must be drawn up, listing the items and their value (same as the inventory list). The transfer document must mention equipment or inventory bought at a price above the said floor of the Danish tax authorities (2008: DKK 12,000). The transfer document must be signed by the person designated as responsible for the project within your organisation, as well as by a representative of the partner organisation (the recipient).

A copy of the inventory list and transfer document must be annexed to the final reporting to DUF.

DUF has prepared the following forms to be used when preparing an inventory list and a transfer document:

## Appendix: Transfer document

<b>Transfer document</b>	
File number:	
Name of organisation:	
Person responsible for project:	
Date:	
It is hereby certified that the following inventory/equipment, which has been purchased with project funds, is transferred to the partner organisation (recipient).	
Inventory/equipment	Actual cost in DKK (price paid)
-	
-	
-	
-	
Total value	
<p><i>The recipient's signature entails a commitment to maintaining and storing the transferred inventory/equipment in a proper manner. The transfer is carried out with a view to ensuring the continuation of the project's activities. Consequently, the inventory/equipment must remain with the recipient, and cannot be sold to third parties.</i></p>	
_____	_____
Date/place	Signature of the partner organisation (recipient)
_____	_____
Date/place	Signature of the Danish organisation

## Appendix: Inventory list

<b>Inventory list</b>		
File number:		
Name of organisation:		
Person responsible for project:		
Date:		
The following equipment and inventory has been procured with funds from DUF's Project Pool:		
Equipment/inventory	Originally budgeted cost of procurement in DKK	Actual cost in DKK (price paid)
-		
-		
-		
-		
-		
Total value		
_____	_____	_____
Date/place	Signature – the Danish organisation	
_____	_____	_____
Date/place	Signature – auditor	

## 5.1 Auditing of the accounts

As previously mentioned, the Danish organisation's auditor must confirm in writing, before the project begins, that he/she will audit the project accounts according to the guidelines in force. The auditor in Denmark must be a registered or certified public accountant.

It is not the entire project that needs to be audited by the Danish organisation's auditor. The partner organisation's auditor may also undertake parts of the audit.

### **The final project accounts may be prepared in one of the following ways:**

- a)** The Danish auditor receives the vouchers from the partner organisation, which serves to substantiate the preparation of the combined audited project accounts.
- b)** The Danish auditor audits the transfer of funds to the partner organisation, attaching and commenting on the locally audited accounts.
- c)** The Danish auditor inserts each and every account item from the locally audited accounts into the final project accounts.

All three methods have their pros and cons, but method a) is recommended. Because here, the local partner organisation receives outlays, the spending of which it must continuously account for. This procedure has been further described in section 4.4 "Disbursement request".

The advantage of using this method is that only the Danish organisation's auditor needs to be involved. This is easier, since the exercise must adhere to the instructions in force from the Danish Ministry of Foreign Affairs, whose demands may be somewhat complicated to fulfil, if a foreign auditor must also take part.

For instance, the instructions require the auditor to make unannounced cash and asset checks both in Denmark and abroad. However, when method a) is employed, there are no assets and no cash abroad, since the partner organisation has only received outlays.

The instructions also demand a performance audit, which means assessing whether the organisation has been productive and efficient. These variables will typically be difficult to measure. Therefore, it will usually be advantageous to use a Danish auditor with whom you may conduct an ongoing dialogue. The performance audit will also assess whether the organisation has fulfilled the requirement to economise. To pass this test, you need to get several quotations on, for example, air tickets, major purchases and hotel/conference premises to ensure that you always use the most competitive offer.

## 5.2 Contents of the accounts

The accounts must set out how the grant has been spent, and should show the financial position of the project. With these overall accounts, you must document that the project funds have been used towards the purpose for which they were granted, and in accordance with the budget approved with the grant.

### **As a minimum, the accounts must contain:**

- Identification (file number)
- Management's endorsement
- Auditor's endorsement
- Accounting report
- Applied accounting practice
- Profit and loss account
- Notes
- Annexes, if any

### **Identification**

On the front page, the project is identified. This should encompass:

- Name of the Danish organisation
- Project title
- Project period
- Grant amount
- DUF file number

### **Management's endorsement**

The Danish organisation's leadership/management has overall responsibility for the project. Consequently, the leadership/management must also sign the accounts. This is done in the management's endorsement.

Furthermore, the leadership/management must confirm that the accounts are being submitted in compliance with the requirements in force, providing a true and fair view of the activities and the project's financial position.

### **Auditor's endorsement**

When the auditor has completed the audit, he/she must add his report or opinion to the final accounts. If the auditor is of the view that the final accounts contain uncertainties, shortcomings or mistakes, these must be clearly stated.

### **As a minimum, the auditor's endorsement must contain:**

- Identification of the organisation, project/grant and accounting period.
- Confirmation that the accounts have been audited according to Danida's current auditing instructions.
- Explanation of the scope and nature of the audit performed, including an assessment of the locally audited accounts, if these have served to substantiate the combined project accounts.
- Assessment of and information about any defects in the organisation's internal controls, bookkeeping and accounting.
- Conclusion and declaration on the audit performed, including that:
  - the auditor is competent
  - the auditor has received all information requested during the audit
  - the auditor considers the accounts to be submitted in accordance with sound and generally accepted accounting principles, including that:
    - the accounts match the organisation's bookkeeping
    - the funds have been spent towards the purpose for which they were granted
    - all expenses have been paid

### **Accounting report**

The accounting report describes the project's financial course of events in words, and must, as a minimum, contain the following:

- Brief summary of the project's expected outputs (see the project completion report).
- Brief opinion as to whether the project's objectives have been achieved (see the project completion report).
- Assessment of the quality of the accounts documentation.
- An account of any unspent (or outstanding) funds and addition of interest (may possibly be included in the profit and loss account or in the notes).
- An account of any budget modification and spending of the budget margin, referring to correspondence with DUF.

**Notice** that if DUF has approved the use of the item "budget margin", the amounts spent must be entered into the relevant account, say, under *Evaluation* or *Project support*.

### **Applied accounting practice**

This is to explain the conventions underpinning the itemisation in the profit and loss account, as well as the notes and the accounting report.

As a minimum, this section must encompass:

- A statement that the accounts have been prepared in accordance with Danida's auditing instructions ("Instructions concerning the performance of audits in connection with the administration of grant funded activities under mini-programme agreements" – valid for individual project above/below DKK 200,000).
- The method used for conversion of foreign currency (you may want to get help from the auditor).
- Other special conditions that may be of relevance to the accounts (you may want to ask the auditor's view).

### **Profit and loss account**

This term from the accounting of commercial enterprises is used here for a table that compares the original budget with the actual spending, thus showing how the grant has been spent (see example in section 5.3).

The grant from DUF must be entered as income. Project expenses must be broken down with at least the same degree of itemisation as in the budget approved by DUF, i.e. the budget items and the accounts must be comparable.

### **Notes**

The notes elaborate on the information in the profit and loss account, explaining how the figures have been arrived at.

As a minimum, the following must be specified:

- DUF payments on account and outstanding balance, if any
- Use of the budget margin
- Transfers to the partner organisation
- Procurement of equipment and inventory
- Accrued interest

### **Annexes, if any**

If you prepare an inventory list or transfer documents, these should always be annexed to the accounts.

## 5.3 Example of presentation of final accounts

Below, an example of final project accounts is examined. It is based on Danida's "Example of layout of final accounts", which is Annex 8 in Danida's *General Guidelines for Grant Administration through Danish NGOs*, available at [www.amg.um.dk](http://www.amg.um.dk).

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### Final accounts concerning:

Name of Danish organisation:

Project title:

Project period:

Grant:

DUF file number:

---

(page 1)

### Contents:

- Management's endorsement
- Auditor's endorsement
- Applied accounting practice
- Accounting report
- Profit and loss account for the project period
- Notes to the accounts

---

(page 2)

### Management's endorsement

It is hereby declared that

- the final accounts have been presented in accordance with the requirements of the Danish Ministry of Foreign Affairs concerning presentation of accounts, and
- the final accounts present a fair and true view of the activities and the financial position in relation to the Danish Ministry of Foreign Affairs.

Copenhagen (date)

---

Name  
Title

---

(page 3)

## **Auditor's endorsement**

*(to be completed by the auditor)*

Copenhagen, date  
[Name of auditing firm]

**[Name of auditor]**

Chartered accountant

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*(page 4)*

## **Applied accounting practice**

The accounts have been drawn up in accordance with the guidelines for presentation of accounts for the utilisation of grants from the Danish Ministry of Foreign Affairs. ("Instructions concerning the performance of audits in connection with the administration of grant funded activities under mini-programme agreements" – valid for individual project above/below DKK 200,000).

A weighted average exchange rate has been used to convert foreign currency.

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*(page 5)*

## **Accounting report**

- Summary of the outcome of the project in relation to the objectives stated in the application and an evaluation of whether the project's objectives have generally been achieved.
- Based on the indicators stated in the approved project application, a statement as to whether the purpose of the grant has been achieved.
- Brief summary of the project's expected outputs.
- Brief assessment of whether the project's objectives have been achieved.
- Assessment of the quality of the accounts documentation.
- An account of any unspent (or outstanding) funds and addition of interest (may possibly be included in the profit and loss account or in the notes).
- An account of any budget modification and spending of the budget margin, referring to correspondence with DUF.

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*(page 6)*

## Profit and loss account for the project “Leadership Training in Bujumbura”

<b>Note no.</b>		<b>Account (DKK)</b>	<b>Spent part of grant (DKK)</b>	<b>Grant (DKK)</b>
<b>1</b>	DUF grant	112,048		122,500
<b>2</b>	<u>Project support</u>			
	Preparatory meetings	4,922	4,922	5,000
	Preparatory documents	2,011	2,000	2,000
	Travel expenses	18,687	18,687	19,000
	Board & lodging	22,623	22,623	21,500
	Teachers	4,989	4,989	5,000
	Teaching materials	8,034	8,000	8,000
	Follow-up	5,384	5,384	11,500
	Project visit	25,240	24,000	24,000
	Project support total	<b>91,890</b>	<b>90,605</b>	<b>96,000</b>
	Information in Denmark	6,799	6,500	6,500
	Evaluation	1,120	1,120	1,500
	Auditing	5,980	5,980	6,000
	Budget margin	0	0	4,500
	Administration	7,843	7,843	8,000
	<b>Total</b>	<b>113,632</b>	<b>112,048</b>	<b>122,500</b>
	<b>Result (self-funded)</b>		<b>minus 1,584</b>	
<b>3</b>	<b>Accrued interest (to be settled with DUF)</b>		1,041,16	

(page 7)

See the notes overleaf

### **Explanation of figures**

It may be difficult to take in all the figures in this profit and loss account. However, the amounts in the column "Grant" are those that we know from the budget approved by DUF. The figures in the column "Account" indicate what has actually been spent in the project, while those in the column "Spent part of grant" show how much of the spending comes from the grant.

When DKK 4,922 has been entered into the account for "Preparatory meetings", this is because only DKK 4,922 has been spent, even though the budget originally allocated DKK 5,000. Conversely, DKK 2,011 has been spent on preparatory documents, although the grant budget only set aside DKK 2,000. Consequently, the spent part of the grant cannot exceed DKK 2,000. The remaining DKK 11 must be covered by the parties to the project themselves. Alternatively, they may request the use of the item "Budget margin" or carry out minor reallocations between budget items.

As it appears from note 2 (see overleaf), an application has been submitted to spend funds from the budget margin on the item "Board and lodging". Therefore, the spent part of the grant may reach DKK 22,623, even if the original budget only allocated DKK 21,500.

The result is the difference between the column "Account" and "Spent part of grant", i.e. 112,048 minus 113,632 = minus DKK 1,584, which is the amount that needs to be self-funded.

## Notes

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### 1. DUF grant

Payment on account (date)	DKK 104,125.00
Outstanding balance	DKK <u>7,923.00</u>
<b>Total DUF grant</b>	<b>DKK <u>112,048.00</u></b>

### 2. Project support

DUF granted DKK 96,000.00 for project support, of which DKK 21,500 was for “board and lodging”. DUF also granted DKK 4,500 as a budget margin. After prior DUF approval, DKK 1,123 from the budget margin has been spent on “board and lodging”. Accordingly, the account for “board and lodging” in the profit and loss account has been set at a total of DKK 22.623,00.

The total project support of DKK 91,890 can be divided into:

Transfers to the partner organisation	DKK 66,650.00
Other expenses incurred in Denmark	DKK <u>25,240.00</u>
Total	DKK <u>91,890.00</u>

The transfers to the partner organisation comprise the following:

Date	Amount (DKK)	Exch. Rate	Amount (local currency)
15/12 xz	10,000	9.91	99,100
10/01 xx	50,000	10.39	519,500
11/02 xx	10,000	9.85	98,500
07/05 xx (refunded)	- 3,350	9.54	- 31,959
<b>Total</b>	<b>66,650</b>		<b>685,141</b>
<b>Weighted average exchange rate</b>		<b>10.28</b>	

Expenditure in [recipient country] according to local accounting: 685,141

Using the transferred funds, inventory has been procured in [recipient country] at a value of DKK 12,476. These purchases are specified in the inventory list in Annex 1. Since the inventory has been passed on from the project to our partner organisation in [recipient country], a transfer document has been drawn up, as it appears from Annex 2 of the final accounts.

### 3. Accrued interest

Accrued interest during 20xz	DKK 453.21
Accrued interest during 20xx	DKK 587.95

Accrued interest in total DKK 1,041.16

A total of DKK 1,041.16 has been earned in interest on the grant paid by DUF. This amount will subsequently be settled with DUF, possible by setting it off against the outstanding balance of DKK 7,923 in favour of the grant recipient, cf. note 1.

No interest has been earned in [recipient country].

## 6. Index

Accounting 11, 18, 31, 35-41  
Administration 8, 10, 11, 12  
Auditing 10, 11, 12, 14, 31,34-35, 36  
Bank account 14  
Bank transfer 18  
Budget 6-12  
Budget item 8-12, 18  
Budget margin 10,11,12,15,36  
Budget modification 12, 36  
Cash 17, 29-30  
Control system 31  
Corruption 13, 30  
Evaluation 4, 10, 12, 15  
Exchange rate 22  
Financial guidelines 29  
Information 10, 12  
Inventory 31-33  
Outlay 18, 30  
Project cycle 4-5  
Project support 10,12,15  
Reallocation 12  
Receipt 19, 20, 24, 28, 29, 30  
Reporting 23  
Timeline 5  
Transfer 17-18  
Transfer document 31, 32, 33  
Travel accounts 24  
Vouchers 19, 20, 21, 23, 24, 26, 27  
Western Union 17



Danish Youth Council  
Scherfigsvej 5  
DK - 2100 Copenhagen Ø  
Tlf.: + 45 39 29 88 88  
[www.duf.dk](http://www.duf.dk)