



NORWEGIAN  
HUMAN RIGHTS FUND

# **FINANCIAL MANAGEMENT GUIDELINES**

## FOR NHRF GRANTEE PARTNERS

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## INTRODUCTION

This manual sets out the principles and practices to be applied when managing projects supported by the Norwegian Human Rights Fund (NHRF). The objective of this manual is to communicate the requirements for financial management that we, as a donor, have and what is expected from the organisations we support.

The manual should be read by grantee partners of the NHRF, with a focus on their directors/managers and finance staff. However, financial management is an important part of programme management in general and must not be seen as a separate activity left to only finance staff.

### **Financial management**

Financial management entails planning, organising, controlling and monitoring the financial resources of an organisation to achieve objectives.

Financial control is an important part of an organisation's financial management. Financial control means that the financial resources of an organisation are being correctly and efficiently used. Poor financial control, on the other hand, means that:

- Assets will be put at risk of theft, fraud or abuse
- Funds may not be spent in accordance with the organisation's objectives or the approved project, and the competence of managers may be called into question.

To ensure financial control it is therefore important to establish good financial policies and procedures.

## **BUDGET**

### **Budgeting**

The budget is the basis of the contract with NHRF and outlines the purpose of the project. It is important that budgets are as accurate as possible and that it reflects the activities of the project.

Partners must use funds according to the approved budget. A 10 % difference on a budget line is permitted as long as the overall budget is not exceeded. For differences of more than 10 %, the NHRF must be informed, and the NHRF might request a revised budget.

### **Budget structure**

All costs are to be listed in the project budget and may be composed of the following types of costs (exact categories to be used in the budget are up to the partner organisation):

#### **Direct project costs:**

These include costs directly associated with the implementation of the project. This includes (but is not limited to):

- Activity costs, such as workshops, training material, travel costs related to project staff or people involved in the project and beneficiary communities, and for advocacy meetings.
- Communication costs such as social media, production of campaigns and exhibitions etc.
- Personnel costs for people directly involved in the project implementation, who are recruited locally such as project manager, field staff, lawyers, community organisers.
- Audit costs.

#### **Indirect costs/Administrative costs:**

These include costs associated with the project being implemented but are not covering those costs directly involved with implementation. This includes (but is not limited to):

- Administrative staff salary.
- Office running cost such as office rental, office utilities, office supplies, communication, transportation, etc.
- Accounting costs and bank fees.
- Other support items.

## FINANCIAL MANAGEMENT

### Accounting system

The grantee partner must keep accurate accounts of the project's income and expenditure using a double-entry bookkeeping software. A double-entry bookkeeping software is a system of bookkeeping where every entry to an account requires a corresponding and opposite entry to a different account.

The accounts shall be kept up to date at least on a monthly basis.

Bank reconciliations and cash reconciliations shall be completed at least every month and shall be documented by the grantee partner.

- **Bank reconciliation** is a process of verifying whether the sum found in the bank statements at the end of the period corresponds with transactions recorded in the accounting system. This is usually done at the same time as closure of the accounting records.
- **Cash reconciliation** is a process of verifying whether the cash at hand at the end of the period corresponds with the amount of cash in the beginning of the period and the registrations of withdrawals and deposits in the period. This is usually done at the same time as closure of the accounting records.

Income and expenditure relating to the project must be easily identifiable and verifiable, either by using separate accounts for the project or by ensuring that project expenditure can be easily identified and traced within the general accounting- and bookkeeping system.

### Supporting documentation

Supporting documentation is essential documentation for all financial transactions. All vouchers with supporting documentation should have a serial number. The number should be consecutive, and any missing numbers must be explained. The voucher must be dated and signed by an authorised person.

#### Invoices

Supporting documentation (invoice) for purchases (goods and services) must include:

- logo or supplier's stamp
- supplier's signature and address and/or contact number,
- purchase description (including quantity and unit price).
- Once paid, a receipt and a "Paid" stamp with the suppliers' signature acknowledging payment is required.

On the voucher, do not overwrite on the figure and do not use correction pen or tape on the figure. The initials of the responsible person are needed if there is a correction, and the corrected figure should be clearly stated in words.

All office vouchers must include the signature of the person approving the payment, the person making the payment and the person claiming/receiving the payment.

### **Salary payments**

For salary payments, the salary amount, month of the payment, date of payment and staff name and signature of the employee receiving their salary must be shown on the employee salary payment sheet. The corresponding signed employment contracts must also be on file.

### **Fuel vouchers**

Partners using fuel vouchers for motorised transport in the service of projects funded by NHRF will have to submit them with the relevant documentation showing the purpose for which fuel was purchased. A monthly fuel consumption report should be established.

### **Purchases without receipts**

In certain situations, it is not possible to obtain documentation for purchases. Examples are in certain countries from taxies, purchases from small stores, etc. In those situations, the person who paid for the good or service must make a receipt that includes the following information:

- Date of purchase
- Supplier name
- Amount paid
- Signature from the supplier
- If possible, the phone number/taxi number of the driver/car.

The receipt must be signed by both the person who made the purchase and one more person working in the organisation. To make this possible it is always recommended to have a receipt book when traveling to areas where it is not common with formal receipts.

### **Training and seminars**

Payment for training and for seminars should be supported by a request of funds signed by the participants together with the agenda, attendance list, payment list and report of the training no longer than a month after its completion.

## **Filing financial documents**

Payment documents and related vouchers should be properly filed and easily traceable for a period of ten years.

### **Cash book**

The cash book needs to be reconciled daily. Entries must be recorded with the actual data. Entries should be recorded in chronological order (according to the date of expenses). Entries of different currencies must be recorded in separate cash books. All transactions in the cashbook should be supported with receipts/invoices and all supporting documents. The cash book needs to be signed by the holder of the cash book and one authorised signatory.

Daily or weekly physical cash counts should be conducted, and the cash count sheet needs to be signed together with the party who has authorised signatory.

Cash reconciliation needs to be done monthly (at the end of each month) and jointly signed by the accountant/cashier and director or designated authority.

The signed cash count and the cash book are both supporting documents and need to be attached to the cash reconciliation sheet.

### **Payment approval**

A person within the organisation with the authority to incur expenditure must sign/initialise all payment vouchers before any payment is done.

### **Bank account signatories**

The organisation must have a clear signatory system for their bank accounts. At least two signatories must be on the bank account with two signatures required to withdraw funds.

### **Taxes and other obligations**

Grantee partners will be required to demonstrate that they are fully compliant with the relevant local tax laws and regulations for all transactions related to NHRF funded projects.

## **ACCOUNTABILITY AND COMPLIANCE**

### **Conflict of interest**

Conflict of interest situations involving employees, agents and/or their families shall be strictly avoided. A conflict of interest is understood as a conflict between the private interests and the official responsibilities of a person in a position of trust.

### **Personnel**

When hiring new staff, it is important that the process is done in an open manner. As a general rule, all job postings should be made public on the organisation's website with the job requirements and information about how to apply clearly stated.

As a general rule, friends or family member of staff already working in the organisation should not be hired. This is to make sure that the integrity of the organisation cannot be questioned. If the unlikely situation that a friend of a family member is the best candidate for a position, it is important to put down in writing why they were chosen for the position. This information should be safely filed and must be presented to the donor or auditor if asked for.

Prior to any payment, the contract and job description must be signed by the employer and employee. Any change in job description or salary, will require a new contractual agreement. NHRF funds can be used to pay for the replacement of staff on maternity and/or paternity leave.

All staff, also temporary, and volunteers must sign a Code of Conduct and be informed about the organisations policies on mismanagement, corruption, safeguarding and anti-discrimination work. If the organisation does not have a code of conduct, the NHRF can provide a general template.

### **Procurement and asset management**

Procurement means the purchase of goods and services, as well as the contracting, hiring or renting of services, including those that generate a recurring cost. Authorisation procedures must be in place detailing who is authorised to make purchases on behalf of the organisation. Purchases over a pre-authorised limit requires quotations from a minimum of three different suppliers. The quotations must be evaluated based on price, quality, time of delivery, terms of payment and previous experience (if any) with the supplier(s).

Grantee partners may use their own procurement policies and practices for the procurement of goods and services unless otherwise agreed. However, such policies and practices must provide, to the maximum extent, free competition, transparency, traceability and fair treatment in all procurement processes.



## FINANCIAL MONITORING

Grantee partners shall, at any time when requested by NHRF, facilitate the financial monitoring/ inspection of books and other reports of the project by NHRF 's staff, local consultants, auditors, or any other person duly authorised by NHRF. This requirement is also included in all the NHRF contracts with grantee partners.

Monitoring involves comparing actual performance with plans to evaluate the effectiveness of the plans, identify weaknesses early on and take corrective action if required.

NHRF requires financial management in compliance with international accounting standards and procedures. This implies that every payment must be made in a manner that shows:

- Basis for the payment made (vouchers with supporting documents, e.g. contract, invoice...)
- That the payment took place (bank statement, money receiving note...).
- That the amount approved reached its final recipient (beneficiary lists, signature of receipt for purchases, etc.).

Please note that if there are security issues related to the above points the NHRF should be informed.

## FINANCIAL REPORT AND AUDIT

### Financial report

The NHRF requires a financial report at the end of the project and midterm reports as specified by the contract/annex 1. The purpose of the financial report is to show that the funds received are spent in accordance with the signed contract between the grantee partner and the NHRF.

Project reports contain two parts:

- Financial report
- Narrative report

When preparing the financial report, the structure of the report must be the same as the structure of the approved budget and should be reported in the currency granted in the contract, as well as the local currency.

Financial report shall be made on an Excel spreadsheet indicating the reporting period, and shall contain the following columns:

- **Approved budget** – the column contains the amount approved in the contract (must be same as the approved budget amount).
- **Actual costs** – costs incurred to date. Total amount spent must be covered by the supporting documents (contracts, invoices, receipts, etc.)
- **Total income in local currency** – The NHRF requires financial reports in the same currency as the budget, normally the local currency. The amount received in local currency will depend on the exchange rate at the date of transfer. This amount should be the same as in the bank receipt. If the project is co-financed with income from other sources, including bank interest, NHRF's contribution must be specified.
- **Balance** – this column shows the difference between received amount and the used amount. Overspending is not covered by the NHRF, and underspending must in most cases be paid back to the NHRF.
- **Deviation** – this column indicates the difference between the budget and spending on a single budget line. If the difference becomes more than 10 %, the NHRF must be informed, and the NHRF might request a revised budget.

The project expenses report must be signed by the responsible person and verified by the grantee partner's stamp.

### Audit

According to the contracts and agreements, the grantee partners have an obligation to conduct an audit for the project funded by NHRF. Rules related to this are described in the contract and annex 1.

The audit shall be carried out by an independent chartered/certified or state-authorised auditor. Grantee partners must identify an auditor within six months after the project starts, and the auditor's certification must be sent to the NHRF by then. The NHRF reserves the right to approve the auditor, and may require that the auditor shall be replaced if the NHRF finds that the auditor

has not performed satisfactorily or if there is any doubt as to the auditor's independence or professional standards.

Grantee partners should send the annex 1 to the selected auditor for the project.

The audit report shall include all activities and incomes received for the implementation of the project. If the project is co-financed, it must include contributions from other sources. However, the NHRF's contribution and expenditure made thereof shall be separately identified.

The deadline for submitting audit report must be strictly respected.

Make sure that the audit report includes the following elements:

- the Project name, agreement number and Project period;
- identification of the Project's total expenses and total income;
- the subject of the audit;
- the financial reporting framework applied;
- the auditing standards applied;
- a statement that the auditor has obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement;
- the auditor's opinion

Grantee partners are required to draw up an action plan for every recommendation made by the audit.

## **ANTI-CORRUPTION**

Corruption is in a simple manner defined as a dishonest or criminal offense undertaken by a person or organisation entrusted with a position of authority to acquire an illicit benefit or to abuse power for one's private gain.

Corruption is often linked to bribery, accepting gifts, other payments or fraud, but also involves situations where there are close links between the parties, abuse of power, dual roles, etc.

Grantee partners must practice zero tolerance against corruption and other financial irregularities related to the project.

Grantee partners must IMMEDIATELY inform the NHRF of any indication of corruption or misuse of resources related to the project.

In addition, grantee partners must as soon as possible take legal action against any person suspected of corruption or misuse of resources related to the project.

These requirements are further specified in the NHRF contracts and annex 1.

## REPORTS TO THE NHRF

The NHRF can be reached directly with complaints/reports: Head of Finance Einar Wengen [einar.wengen@nhrf.no](mailto:einar.wengen@nhrf.no) and/or Executive Director Ingeborg Moa [ingeborg.moa@nhrf.no](mailto:ingeborg.moa@nhrf.no).

Reports may also be submitted through the online form on the NHRF's website <https://nhrf.no/contact/report-fraud-or-abuse>

It is also possible to report directly to Norad:  
<https://www.norad.no/en/front/about-norad/Report-a-concern/>

We wish for an open and direct form of communication with our grantee partners. This includes input on how we can help strengthen work on sound financial practices and inputs to anti-corruption policies and good practices for our grantee partners.