

Annex to Danida Guidelines for Financial Management for Danish Authorities engaging in Danish officially financed Development Assistance

As a principle, development projects in cooperation with Danish authorities follow the general Danish Ministry of Foreign Affairs' (MFA) guidelines for development cooperation, including the Financial Management Guidelines. However, for a few areas of financial management specific rules apply. These are described below.

1. Salary for Personnel from the Danish Authority

In projects between the MFA and a Danish Authority, the total budget for staff salaries for Danish Authority staff must not exceed 2/3 of the total budget for the grant.

The personnel related cost has two elements – the **direct salary cost** and an **overhead** to cover indirect costs:

Direct salary cost per working hour is calculated as actual salary cost calculated by deducting holiday etc. from the norm specified by Statens Administration (currently 1924 hours/year).

Overhead per working hour should be calculated from the total indirect costs incurred by the authority, agency or unit involved in provision of the personnel resources. Indirect costs include both general common costs of the institution ("fællesudgifter") and specific, indirect costs at the unit level. The total indirect costs per employee should be calculated and subsequently divided by the number of effective working hours per year (see above) to reach a cost based figure for overhead per working hour. The documentation for the overhead calculation must be available for the MFA on request.

Central government institutions must use the standard guidelines for calculation issued by Ministry of Finance and the Agency for Public Finance and Management (Økonomistyrelsen).

Municipalities and other grant holders outside of central government must use an approach based on the same overall principles. The specific approach to overhead calculation must be documented and made available for scrutiny by the MFA.

For budgeting purposes, the salary cost may be based on either average salaries for relevant categories of staff or average salaries of all staff engaged in the project in question, however ideally should be based on the actual salaries. In either of the former cases, the Danish Public Authority must be able to provide documentation of the approach used for the calculation.

Salary cost for senior management of the Danish Partner Authority cannot be included in the budget, however reimbursable costs such as travel costs for senior management can be covered by the grant.

2. Time registration and accounting for use of staff from the Danish Institution(s)

Danish partner authorities must be able to document upon request that a minimum of 50 % of working hours spent in the project has been in direct interaction with partner staff (e.g. in relation with study tours, meetings, videoconferences, training courses etc.) Travel time spent by the Danish Public Authority on missions to the partner country may be counted as Time With Partner (TWP).

All travel should adhere to rules from the Agency for Public Finance and Management (Økonomistyrelsen) which can be found on the following link:

<http://pav.perst.dk/Publikation/Arbejdstidsregler%20mv/Tjenestemaend/Arbejdstidsopgoerelsen.aspx>

The MFA will reimburse extra costs for staff entitled to compensation for overtime according to the rules applying for the institution and employee in question.

3. Travel costs

Per diem rates and accommodation for Danish staff must follow the general regulations for per diem and hotels issued by the Agency for Public Finance and Management (Økonomistyrelsen).

The travel rules of the Danish Authority must be adhered to.

4. Activities with local partner

Local travel, accommodation and per diem for staff of the national level partner institutions for activities in the partner country should be covered from the budget of the partner institution – this is seen as an important sign of the commitment of the partners. However, travel costs, accommodation and per diem can be included, when there is a need to involve staff from for example decentral local authorities, NGO's, representatives from local communities as participants in workshops and training.

5. Local and International Consultancies

Up to 30% of the total budget can be used for external local or international consultants. The essence of these types of development projects is, however, the building of strong relations between the Danish Authority and their counterparts in the partner country through peer-to-peer cooperation. The first choice should always be in-house staff and the use of external consultants should be limited as much as possible.

In some cases, it will be relevant to involve public entities, which cannot be considered in-house by the Danish Public Authority, through a consultancy agreement. This could be independent government institutions not covered by rules about public tender processes. Such arrangements with organisations, which can be considered publicly mandated bodies should be budgeted as consultancies, but will not count as part of the maximum 30% budget ceiling for consultancies. Similarly, expenses for necessary translation and interpretation will be considered outside of the ceiling.

6. Administrative Support from the Embassy

The Embassy may facilitate implementation of the SSC Project by providing limited administrative support in cases, where direct management from the Danish Public Authority is impossible or overly complicated. This could for instance be payment of bills or management of petty cash in local currency for later reimbursement by the Danish Public Authority, but procedures must be clearly defined and agreed in writing between the Danish Public Authority and the embassy.

In some cases, the Danish Public Authority may wish to delegate the responsibility for parts of the funding to the embassy. This should only take place for limited and well-defined tasks with a clear budget and based on a clear agreement between the Danish Public Authority and the embassy. Examples could be contracting local consultants or implementation of specific activities in the partner country (demonstration projects, workshops etc.), where the embassy may be better placed to plan, manage and pay for the activities within a predefined budget. The embassy would be obliged to forward a full account for the delegated funds to the Danish Public Authority. Still, the overall accounting responsibility would be at the Danish Public Authority, as would the responsibility for the activity.

The Embassy may submit a request to the MFA (R-direkte) for funds covering a local half-time Programme Officer position per Sector Counsellor. The local Programme Officer can support the implementation of project activities.

7. Administrative costs

As the personnel related cost has two elements – the **direct salary cost** and an **overhead** to cover indirect costs, no additional administrative percentage can be included in the budget.

8. Accounting and Auditing

The grant holder (i.e. the Danish Public Authority) carries the full responsibility for accounting and auditing according to Danish law. State institutions are responsible towards the Danish National Auditors, while municipalities are audited by external, private auditing companies.

The MFA has an oversight responsibility ("tilsynspligt"). The oversight responsibility is limited to ensuring that the funds have been used according to the approved budgets.

8.1 Annual Accounts

Whereas Danida normally accepts 6 months for delivery of the annual accounts, for cooperation with Danish authorities the deadline is 3 months after year end.

Annual accounts must be signed by the project manager and the finance officer and include a management statement ("ledelsespåtegning").

Two different procedures apply for the annual accounts and the management statement:

Central Government institutions covered by the Auditor General (Rigsrevisionen) must provide a management statement ("ledelsespåtegning") with the following text in Danish:

"Ledelsespåtegning:

Regnskabet for projektet [projektets navn og F2 nr] bliver ikke særskilt revideret af Rigsrevisionen, men derimod reviderer Rigsrevisionen [institutionens navn] regnskab.

På [institutionens navn] vegne kan jeg som økonomiansvarlig erklære, at regnskabet er opstillet efter de retningslinjer, der er anført i Udenrigsministeriets tilsagnsskrivelse, og at regnskabet i øvrigt stemmer overens med det godkendte budget.

Jeg har endvidere påset, at der foreligger projektrelateret bilagsmateriale til dokumentation for de i projektreghnskabet anførte udgiftsposter, og at intet bilag udviser omkostninger, der ikke kan føres tilbage til de af Udenrigsministeriet godkendte budgetposter.

[sted, dato, navn og stillingsbetegnelse]"

Municipalities and other grant holders outside central Government are usually audited by private auditor companies. An annual financial statement stating total income and expenses following the format of the approved budget must be provided. An audit report is not needed, but the funding received from the Ministry of Foreign Affairs should be reflected in the annual audited financial report of the municipality as an income and an overall expense corresponding to the expenses recorded in the project accounts.

The financial statement must include a management statement ("ledelsespåtegning") with the following text in Danish:

"Ledelsespåtegning:

Årsregnskabet for projektet [projektets navn og F2 nr] bliver ikke særskilt revideret, men derimod reviderer [navn på ekstern revisor] det samlede regnskab for [myndighedens navn].

På vegne af [myndighedens navn] kan jeg som økonomiansvarlig erklære, at regnskabet er opstillet efter de retningslinjer, der er anført i Udenrigsministeriets tilsagnsskrivelse, og at regnskabet i øvrigt stemmer overens med det godkendte budget.

Jeg har endvidere påset, at der foreligger projektrelateret bilagsmateriale til dokumentation for de i projektreghnskabet anførte udgiftsposter, og at intet bilag udviser omkostninger, der ikke kan føres tilbage til de af Udenrigsministeriet godkendte budgetposter.

[sted, dato, navn og stillingsbetegnelse og underskrift]"

8.2 Final Accounts and Audit

Two different procedures apply for final accounts and audits:

Central Government institutions covered by the Auditor General (Rigsrevisionen): The final statement of accounts should be signed by the project manager and the responsible finance officer responsible for the accounts and include a management statement ("ledelsespåtegning") with the following text in Danish:

"Ledelsespåtegning

Regnskabet for projektet [projektets navn og F2 nr] bliver ikke særskilt revideret af Rigsrevisionen, men derimod reviderer Rigsrevisionen [institutionens navn] regnskab.

På [institutionens navn] vegne kan jeg som økonomiansvarlig erklære, at regnskabet er opstillet efter de retningslinjer, der er anført i Udenrigsministeriets tilsagnsskrivelse, og at regnskabet i øvrigt stemmer overens med det godkendte budget.

Jeg har endvidere påset, at der foreligger projektrelateret bilagsmateriale til dokumentation for de i projektregnskabet anførte udgiftsposter, og at intet bilag udviser omkostninger, der ikke kan føres tilbage til de af Udenrigsministeriet godkendte budgetposter.

[sted, dato, navn, stillingsbetegnelse og underskrift]"

Municipalities and other partners outside central Government must provide final project specific accounts for the full project period in accordance. The accounts must be accompanied by a project specific audit report from an external auditor (See annex IV for instructions in Danish (revisionsinstruks) to the external auditor).