Ministry of Foreign Affairs

Danida

Department for Quality Assurance and Financial Management of Development Cooperation

**Annex 1:**

Model accounts manual for decentralised units

**February 2015**ACCOUNTS MANUAL

FOR

[*NAME OF PROJECT/DECENTRALISED UNIT*]

**MFA File No. xxxx-xxxx**

Last revision: DATE

SC Approval: DATE OF SC MEETING

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### INTRODUCTION

#### Purpose and Scope of the Manual

The purpose of this accounts manual is to have an explicit descrip­tion of the agreed ac­counts procedures of the decentralised unit (hereafter unit), and of the organization of the accounts functions, the accounts system and related systems.

The manual shall be accommodated by the unit and used as a reference book by unit staff, auditors and MFA representatives, and in connection with training of accounts staff of the unit.

#### Distribution and Maintenance of the Manual

Relevant holders of the manual shall be listed in an Appendix to the manual (see Appendix 8). The holders shall include the MFA and the External Auditor.

The person responsible for maintenance of the customised manual shall be named. It should be stated that users of the manual who wish to propose amendments or additions should contact the person responsible. Routines for dis­tribution of new or revised pages to all holders shall be described here.

#### Objectives

The unit accounting shall meet the following objectives:

**Reporting**

The accounts system shall provide the unit management with the necessary financial information required to en­sure efficient programme implementation.

The accounts system shall provide for accurate and timely financial reporting to MFA and to the government ac­cord­ing to prevailing rules and agreements.

**Control**

The accounts system shall provide for efficient control and monitoring of the use of funds and other assets made available for the unit.

### THE ORGANIZATION

#### The Decentralised unit Organization

*When setting up the accounts system and designing the chart of accounts it is necessary to have a clear picture of how the unit management shall take place.*

*The overall purpose of the unit and the unit organi­zation shall be described. The unit organigram may be included here or as an appendix. The relations to other donors, partners or counter­part ministry/organization shall be described. E.g. is the unit receiving funds from other donors or is the unit channelling funds to counterpart(s).*

*The reporting channels, external as well as internal, shall be stated.*

#### The Accounts Section

*The organization of the accounts section shall be described. Job descriptions for all accounts staff shall be prepared and shown as appendix (see Appendix 4).*

*Specific accounts related organizational issues should be described here. For instance:*

*who may have advance accounts,*

*etc.*

### THE RELATIONS TO MFA'S ACCOUNTING SYSTEM

This chapter describes the principal relations between the unit ac­counts and MFA's accounts. The specific procedures and forms are dealt with later in the manual.

When MFA transfers funds to the unit or if MFA makes purchases on behalf of the unit, MFA must inform the unit.

When the unit receives funds transfers or invoices for goods or ser­vi­ces, paid by MFA (in kind), the MFA grant account in the unit accounts is credited and the respective asset and/or expen­di­ture accounts are debited.

*If the contract office in MFA is responsible for a contract the expenditures are booked on a separate Job ID reserved for this purpose and the expenditure thereby not included in the decentralised accounts.*

By the end of the quarter the unit prepares and forward its quarterly fi­nance report (QFR) to MFA. The QRF must include all expenditures and specify the share of expenditures paid for by MFA as ‘in kind’.

On a quarterly basis (no later than the 7th day in the following month) MFA forwards an accounts statement of the relevant job IDs to the unit. It is the responsibility of the unit to reconcile these statements with the books of the unit.

### SPECIAL ISSUES

*This chapter deals with a number of issues, which the unit shall consider when setting up its accounts system, and before making its chart of accounts. Special relevant issues shall be included in the Units final accounts manual.*

#### Several Donors

*If the unit has other donors (including the Government) than MFA, one grant account for each donor should be estab­lished.*

*Contributions from counterparts shall be credited to the respective grant accounts and debited to the relevant assets or expense accounts.*

*Contributions from all donors shall be reported quarterly to MFA as a credit entry on the QFR. The accounts on which to credit the non-MFA grants shall be agreed with MFA.*

#### Current Account Book (Debtors)

*The unit shall maintain individual accounts for all debtors.*

*A list of debtors shall be produced monthly, showing the age of the individual debts. The list shall be presented to unit management for possible action with regard to recovery or change of policy, par­ti­cularly with regard to advances. If decided so the list shall be for­ward­ed to MFA as part of the quarterly reporting.*

*If the unit finds that a debt is irrecoverable, in spite of all attempts to collect it, it should be written off, and debited to a "loss on bad debts" account. MFA shall be informed about all such write-offs.*

#### Stock

*MFA is following a modified cash basis of accounting principle. That means that all purchases of materials and parts are considered as expenses at the time of payment, but allowing for some exceptions; e.g. cash advance settlements, income tax and insurance settlement. This means that the accounting system does not operate with depreciation of fixed assets, stock of materials or accrued expenses. However, fixed assets and any stock of supplies of significant value must be registered in separate lists.*

#### Fixed Assets and Assets Register

*Fixed assets are defined as buildings, vehicles, equipment and furniture and fixture used by the unit in its day-to-day operation. Fixed assets do not include constructions, equipment, etc. which are immediately handed over to the beneficiaries as part of the unit outputs.*

*The unit shall maintain a register of fixed assets where the individual items are numbered for easy identification and registered with a reference to item number, location, date of purchase, invoice number and value. Fixed assets at low value are to be excluded from the register. The threshold value is to be established in cooperation with MFA.*

*Fixed assets are expended at the time of purchase. It means that there shall be no fixed assets accounts in the balance sheet, and consequently the unit is not having any depreciation accounts.*

*Although the unit will not have fixed assets accounts in its balance sheet all purchases of fixed assets should be debited to distinct expense account(s). The balance of the account(s), to date, should agree with the total balance of the fixed assets register. The balance of the accounts and the register should be reconciled at least once a year and forwarded to MFA..*

*The revenue of any sales of fixed assets should be cre­di­ted to the respective expense accounts, unless otherwise agreed with MFA. Sale or disposal of items shall be registered in the fixed assets register with a ref­er­ence to the sales invoice, receipt or other documenta­tion for the disposal. All sales must be done in consultation with MFA.*

#### Accrued Expenses

The modified cash basis principle for accounting must be followed, which means that in general expenditures are accounted for at the time of payment, but allowing for some exceptions; e.g. cash advance settlements, income tax and insurance settlement. This means that the accounting system does not operate with depreciation of fixed assets, stock of materials or accrued expenses. However, fixed assets and any stock of supplies of significant value must be registered in separate lists.

The unit may, however, have some commitments, which is incurred long time before actual payment is due. Examples are procurement orders, advance payments, income tax, lump sum payments to NGO's, retention money in connection with construction work etc. Such commitments should be registered in the accounts or on a separate list to make a complete management report of expenditures and commitments possible.

#### Decentralised unit to Date

*The unit must keep a record of project expenses from project start. All project expenses must be registered in the financial management system.*

#### Different Financial Years

*MFA's financial year follows the calendar year. The financial year of the Government or the counterpart organization will sometimes be different from the calendar year, e.g. July/June*.

*Reporting to MFA and to Government shall follow their respective financial years. Unit budgets may be prepared following the financial year of the Government, whereas MFA requires quarterly budgets and estimates following the calendar year.*

When setting up the accounts system, the differences in financial years must be taken into consideration and a reconciliation of the expenditures must be shown in the annual accounts. The QFR will for any period represent the final booking for this period. No reverse entries shall be made in the annual accounts, which are not presented, in the forwarded QFR reports, but materially errors and omissions should be commented on in the notes to the annual accounts and they can be corrected in the accounts in the following financial year.

#### Rates of Exchange

*The unit is keeping its accounts in the local currency, and the QFR to MFA is also in local currency. The agreement between MFA and the recipient Government with regard to the total unit grant is made in Danish Kroner.*

*The MFA will inform the decentralised unit about exchange rates. In general the MFA is using a standard rate of exchange for each currency. All transactions in Danish Kroner are converted at the standard rate. MFA revises the standard rate as and when required. Due to the fluctuations in the exchange rates and the use of standard rates by MFA, exchange differences will "build up" in the MFA accounts. MFA will at intervals debit or credit the individual units with their "share" of the exchange differences. Such adjustments will have no influence on the accounts kept by the unit (in local currency), but will influence the total grant to the unit in Danish Kroner.*

If the unit uses other currencies than the local currency, e.g. US-dollars, the foreign currency should be converted to local currency in the accounts. The current exchange rate will be informed by the MFA when funds are transferred to the unit from the MFA. The unit should keep track of both currencies for these transactions.

### CHART OF ACCOUNTS

The chart of accounts must reflect the objectives, to provide the necessary infor­mation for external re­porting, control, and internal management information. The unit management and the MFA shall prepare the chart of accounts jointly.

#### Structure

*The structure of the chart of accounts must clearly re­flect the activities and organisation of the unit as outlined in the programme document.*

*The chart of accounts must meet the requirements of the unit. The need to monitor the activities and output of the unit against the financial input must be considered when pre­paring the chart of accounts.*

*There must be a clear correlation between the chart of accounts and the budget lines in the programme document.*

*The complete chart of accounts shall be shown in Appendix 1. The chart shall show the correlation with the budget lines of the programme document.*

*The budget lines shall be shown in Appendix 2.*

*Appendix 2 shall also show the votes or budget lines ac­cording to which the unit shall report to Government or other partners, if such reporting has been agreed.*

#### Maintenance of Chart of Accounts

Changes to the chart of accounts should be avoided as much as possible. Changes may, however, be required, and it must be stated who can approve changes and who shall carry them out. Changes should preferably be made as per the beginning of a financial year.

### THE ACCOUNTING SYSTEM

This chapter describes the accounting system and its functions.

#### The Technical Set-up

*The main features of the computerized system and the various modules shall be described. This may include:*

*Hardware configuration:*

*Software, e.g.:*

*Financial management/accounting system*

*Debitors System*

*Stores System*

*Payroll System*

*Service:*

*It shall be stated (in an appendix) who gives service and support on hardware as well as on software.*

#### Security Procedures

*The security procedures include such issues as daily back up, the protection of back-up files and documents, virus checks, and the administration of passwords to the computer system. Procedures should be described in detail in Appendix 3 or in a condensed computer manual*.

#### Filing

Rules and procedures for filing of accounts material must be prepared and described. The unit shall keep the accounts material safely for the whole project period. The accounts material shall upon closing of the unit be handed over to the MFA.

### ACCOUNTING PROCEDURES AND REPORTING

#### Responsibilities

The Project Coordinator/Manager/Danida Advisor [*state who*] has the overall responsibility to MFA for the economic management of the unit.

This responsibility implies among other things the following duties:

* establishment of secure procedures in the economic administration, including specification of authority delegated to other unit staff
* establishment of detailed rules for authorization of commitment and payment documents
* responsibility for all cash and bank holdings and other assets recorded in the books
* current control with the unit budget, including necessary recommendations to MFA concerning project reviews and adjustments
* the supervision and random control of cash holdings and the daily bookkeeping.

#### Transfer of Funds from MFA

Usually funds will be transferred from MFA to the bank account of the unit upon the unit's request. The transfer request must specify amount and bank details and must contain a budget for the relevant quarter(s) minus the balance of holdings (cash and bank) = needed liquidity.

MFA will initiate the transfer and send a copy of the transfer voucher to the unit. The unit will register the local currency amount as income on the bank.

Interest from bank holdings cannot be used as part of the funding of the project. Interest earned shall be booked on a separate account in the accounting system. At the end of each accounting period (or by end of project), the project will transfer interest earned during the accounting period to the MFA for onward transfer to the Danish Ministry of Finance.

Funds may also be ‘transferred’ in the form of purchases made by MFA on behalf of the unit. In cases where MFA makes purchases, the unit will be informed by copy of the relevant payment documents (invoices) and the unit must register the amount (local currency) as expenditure in the unit accounts. MFA will in each case inform the unit about the local currency equivalent or relevant exchange rate.

The unit accounts (and audit reports) must be organised in such a way that it is possible to distinguish between funds transferred for the decentralised unit and funds provided in the form of (in kind) purchases made by MFA.

Purchases made by MFA on behalf of the unit must be included in the financial statements and audit reports as ‘in kind’.

The procedure for ordering and receiving funds in the form of cash or through purchases from MFA is described in Appendix 3.

#### Cash Handling

This chapter deals with all aspects of cash handling within the unit. The chapter is divided into the following sub-sections:

Authorization of Signatories

Cash in hand

Advance (debtors)

Receiving funds

Payments

Daily cash reconciliation

Bank reconciliation

Authorization of Signatories

*All who have authority to incur expenditure on behalf of the unit shall be listed, as well as the limitations (type of expenses and amounts). The list must distinguish between authority to incur commitments and the authority to make payments. Normally two signatories are required (four-eye-principle). The rules shall be agreed with the MFA.*

Persons authorized to make commitment and make payments on behalf of the unit are shown in the list of signatories in Appendix 9.

Check of the vouchers, including checking the accounts number, shall be done by the authorised person before signing the voucher (four-eye-principle).

*The list of signatories shall specify:*

*The name and designation of the signatory*

*A sample of the signature and initials*

*The list must be correct and updated. It shall also indicate the date from which the signatures are valid. The list is signed by the Project Coordinator/manager/Danida Advisor.*

The word "commitment" should be understood as:

* A written agreement binding the unit to pay for a purchase or service

The word "payment" should be understood as:

* cash/cheque payments to be debited to an expense account
* cash/cheque payments to be debited to the account current book

Advance payments for travel or other unit related purposes can be made to unit staff only. Advance payments must be authorized by the unit management and is to be settled within *[xx]* days.

Cash in hand

*The following shall be stated:*

* *who is responsible for cash in hand, and how it is kept,*
* *who has the key for the safe,*
* *how much cash in hand is the unit allowed to keep, and what are the rules for banking of surplus funds,*
* *how to order chequebooks, safekeeping of chequebooks, and rules for maintaining the cash/bank book.*
* *If an electronic banking system is used the functions of this system should be described*

Advances

*If the unit pays advances it shall be stated:*

* *Who are allowed to get advances (debtors) and what are the limit for each advance.*
* *What can advances be used for (type of expenses).*
* *Within how many days should an Advance be settled.*

Receiving funds

*It shall be stated:*

* *What type of receipt is being issued when funds is received by the unit. (The receipt form shall be shown in Appendix 5)*
* *When receiving funds from MFA a receipt shall be forwarded to the MFA.*
* *When receiving funds from MFA it must be recorded as income in the bank (using actual local currency amount).*

*The procedures for receiving money shall be described in Appendix 3.*

Interest

*Interest from bank holdings cannot be used as part of the funding of the project. Interest earned shall be booked on a separate account in the accounting system. At the end of each accounting period (or by end of project), the project will transfer interest earned during the accounting period to the MFA for onward transfer to the Danish Ministry of Finance.*

*The procedures for returning interest to MFA shall be described in Appendix 3.*

Payments

*Rules for issue of cheques including signatories. A cheque may also be issued from an electronic banking system.*

*For all expenditures the cashier shall prepare a payment voucher (to be shown in Appendix 5). Original invoices and receipts shall be attached to the voucher. The person approving the payment shall sign on the voucher, and on the original document.*

*The unit may have special vouchers prepared, e.g. for paying salaries to staff (see payroll system in chapter 8) and for imprests. (The vouchers shall be shown in Appendix 5).*

The procedures for approving and making payments shall be described in Appendix 3.

Daily cash reconciliation

*The rules for keeping the cash and bankbook are described above. This sub-section shall describe the daily recon­ciliation of cash in hand with the cash and bankbook. Any differences shall be reported to the Project Coordinator immediately.*

Bank reconciliation

*When monthly statements are received from the bank they shall be reconciled with the bank ledger entries. Differences shall at once be investigated with the bank if necessary. Bank statements shall always be re­ceived and reconciled by the end of the month.*

The following procedure is used for reconciliation:

Balance as per Bank Statement xxxxxx

less cheques not yet debited by bank:

Cheque No. Amount

xxxxxxx xxxxxx

xxxxxxx xxxxxx

xxxxxxx xxxxxx xxxxxx

Sub total xxxxxx

Plus money deposited, not yet

received by bank (if any) xxxxxx

Total (shall agree with unit bank account) xxxxxx

The unit shall include a copy of the bank statement, and of the reconciliation, in its quarterly reporting to MFA (see chapter 7.5).

#### Daily Accounts Procedures

*The daily accounts procedures, i.e. the actual maintaining of the accounts, shall be listed and described.*

*They shall include:*

*Receipt and control of vouchers, cash and non-cash. The control shall include control of authorization, and control of the arithmetic.*

*Numbering of vouchers.*

*Actual bookkeeping. (The actual procedures in connection with electronic bookkeeping may be described in a sep­ar­ate Appendix (Condensed Manual - see chapter 6). These procedures may include the starting up of the system, data entry, production of journals, back-up etc.).*

*Control of data entry.*

*Filing of vouchers and journals.*

*Possible daily/periodic reports to management (not month/quarter end).*

*The accounts procedures shall be described in details in Appendix 3, with reference to the relevant forms in Appendix 5.*

#### Monthly and Quarterly Procedures and Reporting

*The monthly and quarterly procedures shall be listed and described. They include:*

* *Closing of the accounts*
* *Carrying out budget control on monthly basis*
* *Preparation of QFR and other reports to MFA*
* *Preparation of report to Government*
* *Preparation of internal accounts and management reports*
* *Reconciliation of accounts upon receipt of the quarterly accounts statements from MFA (to be received from MFA no later than 7th day of the following month).*

Closing of the Accounts

*The procedures for closing of accounts shall be described:*

*Transactions to be checked every month shall be listed. They may include payroll, reports from transport section, stores, imprests, etc.*

*The actual routines in connection with the monthly closing, e.g. production of trial balance, statements of accounts, etc. may be described in the Condensed Manual for the system.*

*The procedures should be described in Appendix 3, and the relevant forms and reports shown in Appendix 5.*

Preparation of QFR and other Reports to MFA

The QFR is used to report the accounts transactions of the quarter to MFA. A filled in example of the QFR report is shown in Appendix 6.

It must be noted that the QFR shows the total of the transactions of the months per budget-line, and that the values shown are in local currency.

*The preparation of QFR shall be described in Appendix 3.*

In case the unit has other assets and liability ac­counts in its books, procedures for disregarding them in the reporting to MFA must be described.

The QFR shall be signed by unit management and countersigned by the accountant before forwarding to MFA electronically.

The unit shall forward the QFR to MFA, not later than the 28th of the following month. The following reports shall be forwarded:

QFR

Trial Balance

Reconciliation of the MFA Grant Account with the latest received Statement of Accounts.

Copy of bank statement with reconciliation

The following reports **can** be forwarded depending on the arrangement with the MFA:

Copy of the last page of the manual cashbook

Copy of age divided current account report

Statement of the MFA Grant Account (Account No. {xxxx})

Asset list (min. annually)

Preparation of report to Government

*Procedures for reporting to the Government shall be described in Appendix 3 and the actual report(s) shown in appendix 5.*

Monthly Reconciliation’s of Accounts with MFA

The unit will on a quarterly basis receive accounts statements from MFA. As a rule MFA shall forward these statements no later than in the 7th of the following month. The statements are:

* A report showing the transactions of the last quarter on the relevant Job IDs in MFA's accounts in DKK. This will correspond to the transfers for the unit and other goods/services paid for (as in kind) by MFA.

The unit must every quarter reconcile the MFA statements with the unit’s books. If amounts are only in DKK, MFA must provide the unit with information on exchange rates or local currency equivalents. In principle the report from MFA shall only show the transactions which have been initiated by transfer requests from the unit and payments made ‘in kind’ by MFA, e.g. for budget lines where it is agreed to book consultancy services directly or fund transfers for external partners (third parties, e.g CSOs).

The unit shall notify the MFA of any discrepancies between the unit accounts and the statements from MFA.

The procedures for reconciliation shall be described in Appendix 3.

#### Annual Procedures and Reporting

*By the end of the financial year the books of the unit shall be closed, i.e. the expense accounts shall be zeroed against the grant account, and assets (cash, bank and ac­count current book) carried forward to the next year. The accounts shall be audited as stated below.*

*The unit may have a financial year, which is different from the financial year of MFA (which is the calendar year). In that case the unit must establish procedures for reconciling its ac­counts with the statement from MFA on an annual basis, covering the calendar year.*

The following format shall be used for the overall accounting for the year:

This year Last year

Income:

Balance brought forward xxx.xxx xxx.xxx

Transfers received from MFA xxx.xxx xxx.xxx

In kind payments by MFA xxx.xxx xxx.xxx

Interest earned xxx.xxx xxx.xxx

Total income xxx.xxx xxx.xxx

Expenditures:

Budget line no. 1 xxx.xxx xxx.xxx

Budget line no. 2 xxx.xxx xxx.xxx

Budget line no. 3 xxx.xxx xxx.xxx

Budget line no. 4.. etc xxx.xxx xxx.xxx

Total expenditures (incl. in-kind) xxx.xxx xxx.xxx

Interest returned to MFA xxx.xxx xxx.xxx

Balance carried forward: xxx.xxx xxx.xxx

Assets:

Cash xxx.xxx xxx.xxx

Bank holdings xxx.xxx xxx.xxx

Total assets xxx.xxx xxx.xxx

Liabilities:

Advances xxx.xxx xxx.xxx

Reserves/provisions xxx.xxx xxx.xxx

Accumulated interest xxx.xxx xxx.xxx

Total liabilities xxx.xxx xxx.xxx

In cases where the unit’s accounting period does not follow the calendar year the expenditures per budget lines shall be shown in a note to the accounts divided in calendar years.

### OTHER SYSTEMS AND PROCEDURES

*Depending of the nature of the unit a number of other systems may be designed and operating in the unit. Such systems may be described in separate manuals, or may be included in the accounts manual. In any case should procedures relating to other systems, but which are involving the accounts, be described in this chapter.*

*Headings for the most common systems are listed.*

#### Purchasing

*If the unit is making a large number of purchases separate procedures and systems may have to be designed, however, the procedures must be in line with the MFA rules on* [*www.amg.dk*](http://www.amg.dk)*.*

*That may include the issue of purchase orders, tender rules, etc.*

*The procedures for ordering through MFA shall be described (see also chapter 7.1).*

It must be stated who has the authority to make purchases (see chapter 7.2).

#### Stores System

*If the unit is having stores of materials and parts it may be relevant to establish a formal stores system. Whether a stores system shall be connected to the accounts system or not, will depend on the accounts set-up (see chapter 4.3).*

*The stores system must provide for a proper control of the stock, with regard to receipt of goods, storing, and issue of goods.*

*The stores system may be described in a separate manual.*

#### Transport System

*Logbooks shall be kept for all unit vehicles, whether there is a transport system or not.*

*If the unit is having a transport component it may be relevant to establish a formal transport system. The transport system may be described in a separate manual.*

*The transport system shall include maintenance of logbooks, requisitions, maintenance plan, etc.*

There should be clear interfaces between the transport system and the accounts system. It shall be possible to follow the cost of each vehicle per km (fuel and main­ten­ance), and it may be relevant to charge transport cost to different activities or components within the unit ac­cording to budget.

#### Payroll System

*The payroll system/procedures of the unit shall be de­scribed in the accounts manual. If the unit has many employees it may be advisable to use an electronic.*

*Issues like withholding tax, compulsory contributions, in­surance, etc. shall be dealt with in connection with the establishment of the payroll system ensuring that local legislation are observed. Normally the auditors can advise on the legislation that has to be adhered to.*

#### Monitoring System

*When designing the chart of accounts the management must consider how it is going to monitor unit achievement in relation to plans and in relation to funds spent.*

*The interface between the accounts system and the monitoring system should be described in this chapter. Also the relationship to the biannually progress report shall be described.*

#### Assets Register

*All units shall have an assets register in which all fixed assets should be recorded. The assets register should refer to the specific accounts in the unit books, so that it is possible to reconcile the accounts with the assets register (see also chapter 4.4).*

*The procedures relating to the assets register should be described in Appendix 5.*

#### Onwards transfers of funds to third party

*If the unit transfer funds to a third party institution for the implementation of programme/project activities, these activities must be governed by a contract between the unit and the third party. It is the unit’s responsibility to ensure that progress reports, accounts and completion reports are received timely and that the annual accounts are appropriately audited.*

*Procedures for contracting, approval of work-plans and budgets, transfer of funds, accounts, and audit shall be described in the unit’s accounting manual.*

### BUDGETING

#### Annual Plans and Budget

The unit shall prepare annual activity based work-plans and budgets as agreed with MFA. Reference is made to MFA's [Aid Management Guidelines](http://amg.um.dk/). The unit’s budget procedures shall be described in this chapter, including budget revisions during the year and reporting of budget figures to the MFA.

#### Budget Revisions

The unit shall agree with the MFA how often budgets shall be revised. The budgets must be revised at least quarterly. The unit shall, however, inform the MFA of any known deviations from the budget, especially in the last months of the calendar year.

### AUDIT

*The unit shall state when accounts are ready for the annual audit and who is responsible for preparing the accounts for audit.*

#### External Audit

The unit auditor is: *Name of the appointed external auditor*.

Audit is to be carried out according to the audit agreement in Appendix 10.

On receipt of the auditor's report the unit management shall give the report to MFA in which it shall answer/comment on the issues raised by the auditor in his report.

#### Internal Audit

*Depending on the degree of administrative complexity the unit may have to establish an internal audit function. The role and the procedures of the internal audit function should be agreed with the MFA and with the external auditor, and be described in the manual*.

### List of Appendices

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Appendix 2: Budget Lines

Appendix 3: Accounts Procedures

Appendix 4: Job Descriptions

Appendix 5: Accounts Forms

Appendix 6: Accounts Reports

Appendix 7: Quarterly Reports from MFA

Appendix 8: Holders of the Decentralised unit Accounts Manual

Appendix 9: List of Signatories

Appendix 10: Audit Agreement

Appendix 11: Brief Computer Manual

Appendix 12: Hardware and Software Service

**Appendix 1: Chart of Accounts**

Account MFA Government

Number Name of Account Budget-line Vote-No.

*For each account it shall be stated which budget-line, and if it is applicable, which Government vote it refers to.*

*The MFA budget-lines and, where applicable, the Government vote numbers are to be shown in Appendix 2.*

*The actual design of the accounts plan will, as discussed in chapter 5 of the model, depend on the organization of the unit.*

*The MFA should be consulted in connection with the establishment of the accounts plan.*

**Appendix 2: Budget Lines**

Decentralised unit: [Name]

MFA

The unit has the following budget lines/ job IDs in MFA's accounts:

Budget Line: xx MFA Job ID No. xxx.xxxx

*The nine digit job ID’s used by the unit and the nine digit job ID’s used by MFA, Copenhagen will be supplied by MFA and shall be stated in this appendix.*

Government

The unit has the following budget lines in its reporting to the Government:

Vote Government A/C No.

If reporting procedures to the government have been agreed the respective accounts or vote numbers shall be stated here.

**Appendix 3: Accounting Procedures**

Appendix No. Procedure

01 xxx

02 yyy

*The procedures described in the following pages should be listed. The procedures should be numbered, and in the main text of the manual reference shall be made to the procedures.*

*This appendix may e.g. include procedures for:*

*Security (see chapter 6.2)*

*Request of funds from MFA (chapter 7.2)*

*Purchases through MFA (chapter 7.2)*

*Receiving cash (chapter 7.3)*

*Making payments (chapter 7.3)*

*Procedures for imprest accounts (chapter 7.3)*

*Maintaining cash/bank book and daily reconciliation of cash (chapter 7.3)*

*Daily accounts procedures (chapter 7.4)*

*Monthly closing of accounts (chapter 7.5)*

*Quarterly reporting to MFA (chapter 7.5)*

*Monthly reporting to Government (chapter 7.5)*

*Annual accounts procedures (chapter 7.6)*

*Procedures (as applicable) relating to:*

*Purchases (chapter 8.1)*

*Stores (chapter 8.2)*

*Transport (chapter 8.3)*

*Payroll (chapter 8.4)*

*Monitoring (chapter 8.5)*

*Register of fixed assets (chapter 8.5)*

*The above list may not be complete, and the unit should make description of other procedures as found relevant.*

Procedure: {Name of Procedure}

Date: xx/xx/xx

Ref. Accounts Manual: Chapter x.x

|  |  |  |  |
| --- | --- | --- | --- |
| **NO.** | ACTIVITY | RESP. | WHEN |
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|  |  |  |  |

*Procedures should be described in details in this Appendix. For each procedure (or grouping of procedures) a form should be prepared. The procedure should be broken down into sub-activities, which should be given a number, described, the person or function responsible should be indicated, and the timing of the activity (daily, weekly, monthly) should be stated. Reference shall be made from the manual to the procedure No. and visa versa.*

*See example of a filled in procedure form on the next page.*

***EXAMPLE:***

Procedure: Maintenance of cash/bank book

Date: xx/xx/xx

Ref. Accounts Manual: Chapter 7.3

|  |  |  |  |
| --- | --- | --- | --- |
| **NO.** | ACTIVITY | RESP. | WHEN |
| 9.1 | For electronic cash books: Depending on the accounting software. Procedures must be described in consultation with MFA.  For physical bank books: A new page of the cash/bank book is opened every morning or when the previous page is full. The head of the page shall be filled in with the name of the decentralised unit, month, and year.  The previous balance of cash and bank is transferred from the previous page. (See form in Appendix 5.xx) | Cashier | Daily |
| 9.2 | When receiving/paying money a receipt (Appendix 5.xx)/ payment voucher (Appendix 5.xx) is issued. The receipt/payment voucher is given a voucher No. (all receipt/vouchers entered in the cash/bank book are numbered consecutively throughout the financial year). | Cashier | Daily |
| 9.3 | The receipt/payment voucher is entered into the cash/bank book, indicating: date, voucher No., particulars (i.e. the text that will be shown in the respective accounts), account number, amount (either cash or bank) | Cashier | Daily |
| 9.4 | When withdrawing money from or depositing money with the bank, no accounts number shall be shown. A line is drawn through the space for a/c No. | Cashier |  |
| 9.5 | The end of the day, or when a page is full adds the columns in the cash/bank book added together. The balances are calculated, and carried forward to the next page (see 9.1). The actual cash in hand is counted and reconciled with the cash in hand shown in the cash/bank book. Any differences must immediately be reported to the CTA. The original page of the cash/bank book is torn out. | Cashier | Daily |
| 9.6 | For electronic cash books: Depending on the accounting software. Procedures must be described in consultation with MFA.  For physical cash books: A print of the cash/bank genereal ledger is together with the vouchers kept by the cashier over night, and is handed to the Accounts Assistant the following morning for entry into the general ledger. | Cashier | Daily |

**Appendix 4: Job description**

**Position**

**Date**

*The job descriptions included in this appendix shall be listed.*

*Job descriptions should be made for all staff in the accounts section (see chapter 2.2). The job descriptions shall be coordinated with the procedures (Appendix 3).*

JOB DESCRIPTION

**Position:** {Title of the employee}

**Responsible to:** {Title of the person to whom the employee is reporting}

**Supervising**: {Titles of the persons supervised by the employee}

**Responsibilities**:

*Describe the general responsibilities of the employee.*

*List the various duties of the employee. Reference to the procedures (Appendix 3 - "Resp.") shall be made as appropriate.*

*It may be relevant to list the duties of employees in the accounts section under the following headings:*

General Duties

Monthly Duties

Annual Duties

Prepared by: {The title of the person who prepared the job description}

Approved by: {Signature of person approving the job description}

**Date:** xx.xx.xx

*See the following page for Example*

***EXAMPLE***

JOB DESCRIPTION

**Position:** Chief Project Accountant

**Responsible to:** Project Coordinator

**Supervising**: Cashier, Accounts Assistants, Store Keeper

Responsibilities:

Responsible for all finance and accounts related matters of the decentralised unit. These include the control of cash, debtors and other assets, maintenance of accounts, financial reporting externally and internally, participate in the preparation and revision of budgets, carry out budgetary control and supervision of accounts staff.

General Duties

Supervise the daily work of subordinate staff, and that all accounts work is being carried out according to the laid down procedures and job descriptions.

Manage the cash flow of the decentralised unit including the preparation of requests for transfer of funds from MFA.

Propose revisions to chart of accounts, procedures and job descriptions if appropriate.

Maintain the Accounts Manual and distribute corrections to the holders of the manual.

Participate in weekly senior staff meetings.

Liaise with the decentralised unit's external auditor.

Carry out budget revisions as requested by the Project Coordinator.

Carry out any other duties assigned by the Project Coordinator.

Monthly and Quarterly Duties

Supervise the closing of accounts, including reconciliation of bank accounts.

Prepare the quarterly financial reports to MFA.

Prepare the monthly financial report to Government.

Carry out the monthly budget control and prepare the monthly and quarterly management reports.

Scrutinize all outstanding advances, imprests and other debtors, and report any deviation from agreements to the Project Coordinator.

Carry out the quarterly reconciliation of decentralised unit accounts with MFA accounts.

Annual Duties

Supervise the closing of accounts.

Make necessary year-end adjustments, and supervise the transfer of opening accounts balances to next year.

Liase with the external auditor regarding annual audit according to the audit agreement.

Prepare annual accounts reports.

Prepare annual budgets in connection with the preparation of annual project implementation plans.

Prepared by: {The title of the person who prepared the job description}

Approved by: Signature of the Project Coordinator

**Date:** xx.xx.xx

**Appendix 5: List of Accounts Forms**

*This appendix shall contain a list of all internal forms and vouchers used in the accounts system of the decentralised unit.*

*Examples of the forms should be attached as Appendix 5 A, Appendix 5 B, etc.*

*References to the forms shall be made in the manual and in the procedures (Appendix 3) as appropriate.*

**Appendix 6: Accounts Reports**

*This appendix should contain a list of all the reports, internal as well as external, produced by the accounts system of the decentralised unit. The purpose of the reports shall be stated for each report.*

*Examples of the forms should be attached as Appendix 6A, Appendix 6B, etc.*

*References to the forms shall be made in the manual and in the procedures (Appendix 3) as appropriate.*

**Appendix 7: QUARTERLY ACCOUNTS REPORTS FROM MFA**

*This appendix shall list the accounts statements the decentralised unit will receive from MFA:*

Report number Short description of content

**Appendix 8: HOLDERS OF THE DECENTRALISED UNIT ACCOUNTS MANUAL**

**Organisation Name/position of holder E-mail**

**Appendix 9: List of signatories**

The following persons are entitled to approve expenditures/sign cheques/ pay expenditures cash for the decentralised unit:

Name Designation Specimen signature Initials

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_

Date,

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Project Coordinator

*This appendix shall thus contain a lists of persons authorized to approve expenditures, sign cheques, electronic payments, pay cash and collect cash from the bank.*

**Appendix 10: Audit Agreement**

*A copy of the agreement with the external auditor shall be included in the manual and may be based on the following:*

**Appendix 11: BRIEF COMPUTER MANUAL**

*This appendix shall contain a brief manual, describing the use of the computerised accounting system (e.g. NAVISION).*

*The manual should deal with such aspects as:*

*Starting up the system*

*Opening accounts*

*Data entry*

*Printing reports*

*Making queries*

*Closing down the system*

*Security, including back up*

**Appendix 12: Computer service and support**

The following should be contacted if computer related service or support is required:

Computer Hardware:

Company:

Contact person(s):

Address:

Phone:

Fax:

UPS:

Company:

Contact person(s):

Address:

Phone:

Fax:

Software:

Company:

Contact person(s):

Address:

Phone:

Fax: