
Good Financial Grant Practice, Part 2: Fundamental Requirements



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This African Standard was prepared by the ARSO Technical Committee on, Financial services (ARSO/TC 73)

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Introduction

The objective of this DARS 1651- 2 standard Fundamental Requirements standard is to standardize, simplify and strengthen the financial governance of grant funding.

For grantors, they can use the standard as a minimum requirement for their grantees. For grantees, they can claim compliance with this standard to support applications for grants from grantors. This standard establishes a consistent approach to the management of grants throughout the grant life cycle, for the benefit of grantors and grantees.

Potential benefits of this standard include, but are not limited to the following:

- a) reduce the cost and administration time for both grantors and grantees
- b) reduce the multiple audits and financial assessments that grantees have from different grantors
- c) increase the confidence of grantors to fund directly to grantees
- d) reduce the risk of corruption, bribery and fraud; and
- e) enable targeted financial capacity building by grantors

This standard is designed to codify and provide requirements on established good practice. It is a quality standard and not an accounting standard. This standard provides a common framework for how grantees shall financially manage grants. It provides details of the requirements, specifications and criteria to be applied, to implement good financial grant practice.

Compliance with the requirements of this DARS 1651- 2 standard Fundamental Requirements does not qualify an organization to undertake sub-awarding of grants. To undertake sub-awarding, an organization is required to be compliant to the requirements of DARS 1651-3 Advanced Requirements.

Grantors and grantees are very diverse in nature, and range from:

- a) being very small to very large
- b) operating in safe to risky environments
- c) being quite simple to very complex
- d) having different levels of risk, they are willing to accept
- e) being shorter to longer term in nature
- f) governmental to private foundations and individual entities
- g) being national, regional or international in nature; and
- h) mature to emerging

Grantors may, after an assessment, decide to award the grant, even if the grantee does not meet all the requirements of this standard, and may mitigate their risk by putting in place additional financial controls, or provide capacity strengthening funding to bring the grantee up to the required level.

This standard addresses the seven principles of good financial grant practice, which are:

- i) accountability
- ii) Stewardship
- iii) compliance to standards

- iv) Transparency
- v) Viability
- vi) integrity; and
- vii) consistency

In turn, these principles are supported by four key pillars of good financial grant management, which, if correctly applied, will provide the evidence to support compliance with good financial grant practice. These are:

- i) internal controls
- ii) record keeping
- iii) planning
- iv) monitoring

Note 1 This standard can be applicable to small to medium organizations. These organizations can have a modest annual budget and a small number of FTE's comprising of staff, consultants and volunteers. They can operate at a regional or national level and do not undertake making grants or sub awards.

Note 2 Typically, these organizations can have an annual budget of between [USD 100,000 to USD 1 million] and FTE of staff, consultants, outsourced roles and volunteers of between [10 and 100].

Note 3 This standard is NOT applicable for organizations that make grants or subgrants.

Note 4 A large organization which has grown rapidly, or where the current financial and grant management policies and processes are inadequate, can use the requirements of this standard to develop fundamental financial policies and processes before progressing to Good Financial Grant Practice, - Advanced Requirements.

Further details on both the principles of good financial grant practice and four key pillars of good financial grant management can be found in Annex A.

Good Financial Grant Practice, Part 2: Fundamental Requirements

1 Scope

1.1 This African standard specifies requirements for Good Financial Grant Practice when an organization needs to demonstrate transparency, accountability, and efficiency in financial management of grant funds.

1.2 The requirements in this standard apply to any organization that require comprehensive guidance on financial management and grant practices to enhance their capacity for successful grant management and reporting.

1.3 An organization can attain certification as evidence of compliance with the requirements of this standard.

2 Normative references

The following referenced documents referred to in the text in such a way that some or all of their content constitutes requirements of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

DARS 1651-1, *Good Financial Grant Practice, Part 1 — Terms and definitions*

3 Terms and definitions

For the purposes of this document, the terms and definitions given in DARS 1651-1, *Good Financial Grant Practice, Part 1 — Terms and definitions* apply.

4 Financial management

4.1 Planning and budgeting

4.2.1 The organization shall have documented information for planning and preparation of budgets. This shall include at least the following:

- a) who is responsible for preparing the budget
- b) when it is prepared
- c) who it is approved by

- d) what information is required and where it is obtained from; and
- e) what assumptions are made.

NOTE The organization can ensure that the most competent people, that is the board or individuals with delegated authority and budget responsibility, approve grant and organizational budgets.

4.2.2 The organization shall prepare different budgets for all activities of the organization.

NOTE This can include both activities funded by the grantor, and any other activities funded from other sources.

4.2.3 The organization shall prepare a budget for each grant or grant application.

NOTE The grant budget can include all direct and indirect costs to deliver the objective or output of the grant.

4.2.4 The organization shall have documented information for reviewing budgets to reflect changing circumstances as allowed by the grant conditions.

NOTE Depending on the grant conditions of each grantor, written approval of changes to the budget can be obtained in advance of any expenditure being undertaken that was not within the originally agreed budget.

4.2.5 Where a budget is prepared for a grantor who requires reporting in a different currency from the currency used for expenditure, the assumptions about exchange rates shall be clearly documented and it shall be clear how any potential exchange gains or losses will be dealt with before the budget is approved.

4.2.6 Where the grantor funds a grant in a currency that is different to the currency in which the expenditure will be incurred; the organization shall prepare the budget in the currency of expenditure and convert it to the currency of the grant. The exchange rate assumptions and basis shall be recorded as part of the budget documentation.

4.2.7 The organization shall have documented information on indirect cost recovery which includes at least the following:

- a) how indirect costs are calculated for each grant
- b) how indirect costs are to be budgeted for in the grants; and
- c) how indirect costs are allocated to grantors cost definitions and then recovered from the grant where allowable

NOTE Grantors can allow a fixed percentage for indirect costs, and this is then included in the grant. The organization can therefore understand how much of their indirect costs are covered by the grant

4.2 Income management

4.2.8 The organization shall have documented information for the recording of income which shall include at least the following:

- a) the definition of income if cash or contributions in kind and how it applies to the organization
- b) how income will be treated if it is carried across a reporting period, or end of the financial year
- c) how to report on income on either cash or accruals or a combination basis thereof
- d) descriptions of non-grant income, e.g. interest, return on investments or fees and subscriptions; and
- e) how the income is recorded in the financial management system, including the

requirement to have a unique identifier for each grant and grantor

NOTE The organization can prepare reports which break down the total of grant income into all the separate grants received and by both cash and non-cash income.

- 4.2.9** The organization shall issue and keep uniquely numbered receipts for each item of income.
- 4.2.10** The organization shall have documented information that ensures that all income is entered into a financial management system.
- 4.2.11** The organization shall operate a financial management system that requires grant income to be recorded with a unique reference for each grant received.
- 4.2.12** The organization shall have documented information for receiving income into grantee or grantors specified bank accounts.
- 4.2.13** The organization shall have documented information that defines contributions in kind which includes at least their definition, recording, reporting and approval process.

NOTE 1 Contributions in kind are also often referred to as gifts in kind.

NOTE 2 Approval of contributions in kind can be by at least two people in the organization

4.3 Expenditure management

- 4.3.1** The organization shall have documented information that ensures payments for expenditure are paid on presentation of the relevant payment vouchers or supporting documents.

NOTE The documented information can include but not limited to the supporting documents 'stamped as paid' or the use of unique identifiers to avoid duplication of payments (which can be a function of the financial management system).

- 4.3.2** The organization shall have documented information that ensures that all expenditure is entered into a financial management system.
- 4.3.3** The organization shall have documented information to prevent grantors' funds from being used for expenditure outside of the grant conditions.
- 4.3.4** The organization shall have documented information to allocate indirect costs in line with the grantor's grant conditions. This shall include how these costs are calculated and if fully or partially recovered.

NOTE The allocation of costs can be based on a standard, reasonable and measurable cost driver e.g. level of effort for time spent by personnel on an activity as supported by a documented time sheet system. e.g. square metres for allocating utilities to an activity or function.

- 4.3.5** The organization shall have documented information on segregation of duties to differentiate who can initiate and approve expenditure and payments from the bank accounts.

4.3.6 The organization shall have documented information to ensure payment vouchers and supporting documentation are reviewed and the payment approved by people with delegated authority before payment is made.

4.3.7 The organization shall have documented information to ensure that if a purchase order is made then the organization shall compare invoice quantities and price with the terms indicated before each payment is made.

NOTE Organizations can have a threshold above which or other criteria for when comparative quotes are required. It is generally accepted that three quotes are optimal but more or less can be used as appropriate for the procurement activity.

4.4 Property, plant, and equipment

4.4.1 The organization shall have documented information for the acquisition and recording of assets by the organization including but not limited to placing labels and/or tags on all assets such that it can be reconciled to written records.

4.4.2 The organization shall have documented information to secure and safeguard its assets.

NOTE Safeguarding can include but not limited to actions such as keeping assets in secure locations, using passwords, employing competent people, among others.

4.4.3 The organization shall have documented information to keep all 'ownership' or 'right to use' or 'right to occupy' documents safe from theft, fire, and other risks.

NOTE These documents can include 'title deeds, legal documents or a letter authorizing use of an asset.

4.4.4 The organization shall maintain assets in good /acceptable working conditions and in accordance with the agreed terms and conditions of the grant agreement.

4.4.5 The organization shall maintain a list of assets, which includes at least the following:

- a) acquisition date and cost, including purchase and any costs until asset is commissioned or additions thereafter
- b) unique reference or serial number
- c) department/division/section
- d) people responsible
- e) whether the asset is owned by the organization or leased or on loan from a third party
- f) source of funds; and
- g) location of asset.

NOTE The location can be a person

4.4.6 The organization shall have a definition for an asset and a value below which the asset is not added to the list.

4.4.7 The organization shall have documented information to determine the frequency and the independent people or role of who will undertake the asset verification which includes the following:

- a) recording the status and condition of the asset.
- b) if an asset cannot be verified, the discrepancy investigated and resolved, reported and the list updated.

4.4.8 The organization shall have documented information that determines if an asset is to be insured.

NOTE This can be covered by having an annual insurance review process where key risk owners are consulted as part of the renewal of insurance policies and by significant asset purchases being reviewed by the people who are responsible for insurance at the organization.

4.4.8 The organization shall have documented information that determines if an asset has a maintenance or service contract.

NOTE This can be included in the organization's procurement processes or policies.

4.4.8 The organization shall have documented information for approving the use of assets. This shall include at least the following

- a) user's name and staff number
- b) purpose and location of the use; and
- c) date of issue and return

4.4.8 The organization shall have documented information for approving the use of vehicles, which shall include, at least the following

- a) user's name and staff number
- b) purpose and destination of the use
- c) validity of the user's driving license
- d) date of issue and return; and
- e) after the travel, distance, and areas of travel.

4.4.8 The organization shall have documented information for the disposal of assets that are obsolete, surplus, or unusable or past their economic life, which shall include at least the following:

- a) who is responsible for identifying these assets
- b) who is responsible and criteria for deciding if the asset will be disposed or retained; and
- c) what are the roles and responsibilities for disposing of an asset such that financial management systems and other relevant records are updated.

4.4.8 The organization shall record information regarding the disposal of assets. This shall include at least the following:

- a) the item number
- b) the rationale for the sale or disposal
- c) methods of disposal, such as sale, donation, other
- d) who approved the disposal
- e) in case of sale, the price obtained
- f) the name of the recipient of the disposed item
- g) the date and entries of write-off from the register
- h) how any confidential data which is part of or contained within an asset is identified and eliminated; and
- i) consideration of any environmental impact of the disposal method.

4.5 Cash, bank, and treasury management.

4.5.1 The organization shall have documented information that includes at least the following:

- a) which role is responsible for cash
- b) the frequency of a periodic physical cash count and reconciliation by two individuals
- c) minimum and maximum amount of cash that is held
- d) a limit to the amount of cash that is advanced to an individual
- e) defines what type of expenditure is allowed to be paid for using cash
- f) when expenditure from cash is entered into the financial management system
- g) how cheques are to be managed, including at least the following:
 - (i) use of sequential numbers

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- (ii) use of crossed cheques
 - (iii) retaining voided cheques; and
 - (iv) recording payee details.
 - h) how the cash is to be transported to and from locations and banks; and
 - i) how incoming cash is received, receipted, and banked.
- 4.5.2** The organization shall determine the minimum and maximum amount of petty cash required to maintain normal operations. Petty cash is small amount of discretionary funds in the form of cash that is used for expenditures where it is not practical to use other payment methods. It is typically maintained on the premises of a business or organization to cover minor or incidental expenses, such as office supplies, postage, minor repairs, or staff refreshments.
- 4.5.3** The organization shall ensure that any cash that is distributed to an individual is recorded in the cash book with at least the following information:
- a) amount distributed
 - b) date of distribution
 - c) person to whom the distribution is made
 - d) signature or fingerprint of the recipient
 - e) signature of the person distributing the cash; and
 - f) the purpose of the distribution.
- NOTE The cash book can either be physical or electronic. If electronic then e signatures can be appropriate.
- 4.5.4** The organization shall have documented information that when cash has been distributed to a member of staff, the staff member is required to provide supporting documentation for the cash spent and return any remaining cash to the organization within a defined period.
- NOTE The documented information can include how exceptional circumstances will be managed when supporting documentation is not available.
- 4.5.5** Expenditure support documentation shall be retained by the organization.
- 4.5.6** The organization shall have documented information which defines the frequency of cash counts. The cash count process shall check that the opening balance, cash distributed, cash returned, and additional cash provided, equals the amount of cash held. Any differences that cannot be resolved shall be recorded, investigated, and reported to either top management or a senior person with delegated authority for the finance function.
- 4.5.7** The organization shall have a bank account that is in its legal name. Where the bank account is not held in the organization name, the bank account holder shall be agreed with the grantor.
- 4.5.8** The organization shall record all cash received and payments made ensuring all transactions can be individually identified.
- NOTE All cash received ought to be recorded immediately and promptly banked.
- 4.5.9** The organization shall ensure that there is security in place for cash in transit.
- 4.5.10** The organization shall ensure that cash is safely and securely held on premises.
- NOTE Security measures can reflect the environment in which the organization is operating.
- 4.5.11** The organization shall have a secure location to store all bank documentation including cheques, and access to this location shall only be for authorized individuals.

- 4.5.12** The organization shall have authorized individuals for signatory and review of the bank accounts, cash books and petty cash.

NOTE The organization can have and retain a bank confirmation and/or bank mandate of authorized signatories

- 4.5.13** All bank accounts shall be periodically reconciled to the financial management system.

NOTE Bank accounts can be reconciled at least monthly, however often these are undertaken weekly or even daily depending on the risk exposure.

- 4.5.14** The organization shall have documented information for the opening of or closing and making amendments of bank accounts which shall require at least approval by governing board through a written resolution.
- 4.5.15** Where the grantor requires a dedicated bank account and the organization's government regulations allow; the organization shall have documented information to ensure that only income and expenditure relating to that grantor's activity is managed from that bank account.
- 4.5.16** The organization shall have documented information that requires at least two signatories to make a payment, sign a cheque or transfer cash from one bank account to another organization.
- 4.5.17** The organization shall have documented information to ensure computers that have access to online banking facilities are secure, with up-to-date anti-virus, spyware, and firewall software.
- 4.5.18** The organization shall have documented information for recording the names and roles of personnel who are authorized to access any online payment system. This shall include at least the following:
- a) a list of the named individuals; and
 - b) the frequency with which the list is reviewed.
- 4.5.19** The organization shall have documented information that ensures there is a clear segregation of duties regarding cash and bank accounts. These shall include at least the following:
- a) how the authorization of orders for goods and services is separated from those responsible for making and authorizing payments to suppliers; and
 - b) how the cash payment records are reviewed by a more senior person than the people issuing cash and recording cash payments.
- 4.5.20** The organization shall have documented information to determine the suitability of each bank which will be utilized. The process shall include the frequency with which this is reassessed.

4.6 Inventory management.

4.6.1 The organization shall have documented information on the disposal or sale of inventory, including at least the following:

- a) the item number
- b) the rationale for the disposal
- c) the method of disposal such as sale, auctioning, donation, or destruction
- d) who approved the disposal
- e) in case of a sale, the sale price
- f) the name of the recipient of the disposal; and
- g) the date and entries of the write off from the inventory record.

4.6.2 The organization shall have documented information on inventory management that includes at least the following:

- a) the organization's definition of what constitutes inventory
- b) how the inventory is valued
- c) how inventory is received and receipted, including who will inspect and accept the inventory being delivered
- d) how inventory is issued
- e) minimum inventory levels
- f) internal reporting schedule, including status of inventory levels and write-offs; obsolescence and damage
- g) governance over the inventory including at least the roles and responsibilities for timely and accurate inventory management; and
- h) how the organization will consider the value of insurance cover for inventory.

4.6.3 The organization shall have documented information for de-recognition of inventory either due to obsolescence or expiry.

4.6.4 The organization shall keep up to date records of all inventories.

NOTE 1 Records can at least have information on inventory received, inventory issued and balances of inventory in storage.

NOTE 2 Records can have correct description, date, number of units and units of measure.

4.6.5 The organization shall store all inventory in a suitable storage environment regarding temperature, humidity, security and risk of damage and deterioration from adverse weather conditions.

4.6.6 There shall be physical locks and safeguards for all inventory stores to mitigate theft, damage, and physical loss.

4.6.7 The organization shall have a document or system that records at least the following:

- a) the amount
- b) unit of measure

- c) the cost of the inventory being issued
- d) the signature or other evidence of acceptance of the recipient; and
- e) the signature of the person distributing the inventory.

4.6.8 The organization shall carry out periodic inventory counts and reconcile to both the inventory lists and relevant financial information in the financial management system.

NOTE The frequency of the inventory count and reconciliations can be based on a consideration of underlying risks.

4.6.9 The organization shall maintain records sufficient to determine the amount of unused inventory on hand at the termination of their grants.

NOTE: In this inventory count, the organization ought to verify the existence, use, and need for the inventory.

4.7 Travel expenses

4.7.1 The organization shall have documented information for travel that clearly indicates permissible travel expenses and allowances for both domestic and international travel which shall include at least the following:

- a) how travel is applied for and approved

NOTE This can include seeking prior approval for international travel from the grantor if the grant conditions require this.

- b) when it is applicable for a person to claim expenses using a per diem or travel allowance, instead of actual costs. Where a per diem or travel allowance is allowable, the organization shall have transparent per diem rates or travel allowances

NOTE Per diem can be paid at actual, maintaining a ceiling where there is a grant condition, or per diem as per the organizational policy where donors allow.

- c) any restrictions or advice that travelers shall be aware of in relation to travel insurance requirements or the organization's health and security policies for travelers
- d) accounting requirements for per diem or travel allowance
- e) any additional grantors' grant conditions or restrictions which go beyond the organization's documented information

NOTE For example, the requirement to use certain airlines, or to retain and file boarding passes, photos, correspondence, notifications, evidence of participation, conference materials or if per diems are allowable costs.

- f) that outstanding advances are returned by the traveler within a stated and reasonable period following their return to the organization; and
- g) that no one member of the organization's staff has more than one advance at any given time without approval.

4.7.2 The organization shall have documented information for making payments for per-diem, mileage for use of personal vehicle and travel advances including the review of receipts and subsequent reimbursement of expenses for approved official travel.

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- 4.7.3** Where an organization has vehicles, the organization shall maintain vehicle and fuel logs which shall include at least the following:
- a) date, time, and nature of travel
 - b) distance travelled
 - c) reason for travel
 - d) signature of driver cross referencing fuel vouchers used/fuel receipts; and
 - e) traveler's name, if applicable.

4.8 Financial records and financial management systems

- 4.8.1** The organization shall have documented information for the prompt identification, escalation, resolution, and documentation of operational issues with the financial management system.

- 4.8.2** The organization shall have documented information that allows tracing of supporting documents to the financial management system.

NOTE 1 The organization can use a unique reference number on the supporting document to trace a transaction in the financial management system.

NOTE 2 Supporting documents can be physical or otherwise.

- 4.8.3** The organization shall have suitable storage for supporting documentation to adequately protect records from damage and/or loss.

- 4.8.4** The organization shall have a cashbook to record transactions which agrees to the bank accounts.

NOTE The cash book can be physical or electronic

- 4.8.5** The organization shall have a system for recording transactions that uses a unique identifier to link to supporting documentation.

4.9 Financial reporting

- 4.9.2** The organization shall have documented information for preparing and submitting financial reports to the grantors' due date and report format which shall include at least the following:
- a) who is responsible for preparing the reports
 - b) who is responsible for approving the reports, which shall be more senior than the preparer
 - c) a mechanism for recording grantor due dates; and
 - d) how the report is prepared to meet the due date.

NOTE The documented information can take into consideration any organizational processes, such as month end, which are required to be completed before a grantor report can be prepared.

4.9.3 The organization shall have documented information for ensuring that financial reports submitted to grantors are in accordance with the grant conditions.

4.9.4 The organization shall have documented information to ensure that financial reports presented to key stakeholders are reconciled to the financial management system.

4.9.5 The organization shall record and be able to report all transactions in the currency in which the expenditure is incurred.

NOTE The above can be recorded in an off system spread sheet.

4.9.6 The organization's financial reports to grantors shall indicate the basis on which they are prepared unless the basis is already provided by the grant conditions.

NOTE The basis can include, but not be limited to cash, accruals or commitment or combination of those.

4.9.7 The organization shall have documented information to ensure that the people or groups of people who are directly responsible for the grant receive regular financial reports. The documented information shall include at least the following:

- a) the financial reporting schedule
- b) the total grant budget and cumulative spend from the beginning of the grant and amount of the grant remaining; and
- c) actual expenditure and budget for the current period.

4.9.8 The organization shall have documented information on foreign currency that includes at least the following:

- a) how foreign exchange rates are determined for actual expenditure
- b) how any foreign exchange gains or losses are to be recorded and managed; and
- c) how foreign exchange rates are recorded and reported in financial reports.

NOTE This can require conversion from one or more currencies into the currency provided by the grantor.

4.9.9 The organization shall have documented information for financial reporting at organization level with criteria for variations from budget, which requires an explanation and proposed management action to be provided in financial reports.

NOTE The explanation and proposed management action for each significant variation shall then be approved by top management or governing board or by people with delegated authority in the organization.

4.9.10 For grant-funded expenditure, the organization shall have documented information to monitor and report expenditure against budget and the allowable variance as per the grant conditions.

NOTE Organizations can consult with their grantors if budget variations are significant, even if not required by grant conditions.

4.9.11 The organization shall have documented information for extracting financial information from the financial management system for financial reporting purposes.

- 4.9.12** The organization's documented information shall include when data can be manually added to financial reports after the information has been extracted from the financial management system.

NOTE Any manual data added can be documented and highlighted to top management reviewing the finance report.

- 4.9.13** The organization shall have documented information that ensures financial reports presented to top management and governing boards are reviewed by competent people who are different to the people who prepared the reports.

5 Human resources

5.1 Human resource management and payroll

- 5.1.1** Any vacancy announcements made by the organization shall outline a minimum set of skills, knowledge, and experience necessary for a successful candidate to meet. Such vacancy announcements shall also highlight the job description of the role.

5.1.2 Subclause (level 2)

- 5.1.2** The organization shall interview candidates, document the interview, and check any references and right to work before hiring.

- 5.1.3** Any employment contract prepared by the organization shall include the terms of employment.

NOTE The terms of employment can include the type of contract such as full-time, part time, permanent, fixed, holiday/leave the staff are entitled to annually and days that can be carried forward into the new year, salary, and benefits, start dates and end date (if applicable) and contracted hours.

- 5.1.4** The organization shall have documented information for establishing and reviewing an approved salary structure.

- 5.1.5** The organization shall have documented information that requires all staff involved in a recruitment process to declare any conflicts of interest.

- 5.1.6** Where grant conditions require, timesheets, or alternative documentary evidence of levels of effort on programme activities, such documentary evidence shall be prepared for staff charged to a grant or multiple grants to facilitate expenditure allocation.

NOTE Grant conditions can allow documentary evidence to be staff contract with percentage (%) of time on project or milestone reached.

- 5.1.7** Where grant conditions require, timesheets, or equivalents, shall be approved by people with delegated authority responsible for the work being undertaken.

NOTE 1 Approval of timesheets can be actual signatures or digital depending on grant conditions and internal documented information.

NOTE 2 Best practice can be for timesheets to be prepared at least monthly.

NOTE 3 Grantors can have different requirements and organizations can align their internal practice to the most stringent of grantor requirements.

5.1.8 The organization shall have, and communicate to all staff, an organizational structure with clearly defined roles, chain of command and authorizations levels.

5.1.9 The organization shall stipulate the difference between an individual consultant and employment contracts. Consultants' fees shall be separately identified from employees' costs in the organization's records and reports.

NOTE The organization can develop transparent document information that defines the difference between an employment contract and an individual consultancy. This can sometimes be determined by reference to local taxation laws.

5.1.10 The organization shall have documented information to ensure that those who are able to edit standing data on payroll records and that any changes to this information are approved by a person who is independent and more senior to the people who prepared the payroll before payment can be processed.

5.1.11 The organization shall have documented information in the frequency and evidence of training of staff in the organization on anti-bribery, corruption, and fraud.

5.1.12 The organization shall have documented information for staff complaints or workplace grievances. This shall include at least the following:

- a) criteria for which staff can raise a complaint or workplace grievance; and
- b) escalation steps for the complaint or workplace grievance.

NOTE 1 The escalation steps can include different options depending on the nature of the complaint or workplace grievance. For example, line manager, human resources manager, top management among others.

NOTE 2 The escalation steps can include how to escalate the outcome.

5.2 Staff development

5.2.1 Training programmes charged to a grant shall be in line with the grant conditions and objectives.

5.2.2 The organization shall have documented information for recording and reporting attendance for each training session. The attendance record shall include at least the following:

- a) title, date, and location of the training session
- b) name of attendee; and
- c) evidence of attendance.

NOTE Evidence of attendance can be signature, fingerprint, attendance payment, electronic evidence, screen shots or other evidence

5.3 Staff performance management

5.3.1 Performance planning

5.3.3.1 The organization shall have documented information for staff performance planning process that aligns individual performance objectives with the organization's strategic goals.

NOTE 1 The organization can use a cascade process from top to bottom.

NOTE 2 Performance objectives can be specific, measurable, achievable, relevant, and time-bound (SMART).

5.3.2 Performance feedback and evaluation

5.3.3.2 The organization's documented information shall require managers or supervisors to provide feedback to staff on their performance, acknowledging strengths and identifying areas for improvement. The feedback shall be at least annually.

NOTE 1 Organization's feedback can be constructive, specific, and timely.

NOTE 2 Coaching and development opportunities can be provided to support employees in achieving their performance objectives.

NOTE 3 The organization performance feedback and coaching can be documented for future reference and follow-up.

NOTE 4 Feedback can be regular with best practice being more frequently than annually.

5.3.3.3 The organization shall have a performance evaluation criterion to assess individual performance against their performance objectives.

NOTE 1 Performance evaluation criterion can be fair and objective and free from bias or discrimination

NOTE 2 Data collection methods can be reliable and consistent, ensuring accuracy and fairness in performance measurement

NOTE 3 Performance feedback and evaluation can be conducted regularly and consistently across the organization with best practice being more frequently than annually.

NOTE 4 Performance planning for following period and performance evaluation for previous period can be conducted together.

5.3.3 Compliance

5.3.3.4 The organization shall maintain confidentiality of performance information with access limited to authorized personnel

5.3.4 Documentation and record keeping

5.3.3.5 The organization shall maintain documentation related to staff performance management processes and outcomes.

5.3.3.6 The organization records shall be securely stored and easily accessible.

NOTE Documentation can include performance plans, progress reports, feedback records, performance evaluations, and improvement plans, among others.

6 Procurement

6.1 Planning

6.1.1 The organization shall have documented information for all procurement activities and documents and analyse all exceptions. This shall include at least the following:

- a) when an identified item is to be purchased using a purchase order
- b) who has delegated authority to approve purchase orders and procurement

- c) the roles and responsibilities of those involved in procurement
- d) authorizations for different values and length of the contract
- e) who can sign a legal contract
- f) how conflicts of interest are identified and mitigated in the procurement process; and
- g) the value or criteria of procurement which require a formal procurement process to be undertaken.

- 6.1.2** The organization shall have documented information for checking market prices for goods and services purchased which includes at least the following:
- a) a value below which a market check is not required; and
 - b) the frequency with which 'market' checks are performed.

NOTE Market checks can include evidence such as screen shots, email conversations, vendor quotations. The choice of market check can be determined by factors such as availability, value and regulatory requirements for the goods and services being procured.

- 6.1.3** The organization shall have documented information for handling and documenting complaints from potential and current vendors. The documented information shall be made available to potential or current vendors on request.
- 6.1.4** The organization shall have documented information for segregation of duties in procurement, including who can approve contract changes and amendments.
- 6.1.5** The organization shall have documented information that addresses breaches or violations of contracts.

NOTE Consequences of violation of contract may include blacklisting, cancellation of the contract or arbitration.

- 6.1.6** The organization shall have transparent, competitive, and fair processes for selecting its vendors, with clear specifications on mode of advertisement, shortlisting, bid analysis, and comparison with the list of approved vendors.
- 6.1.7** The rationale for purchasing new assets shall be documented for all asset acquisitions
- 6.1.8** There shall be a clear description in the documents sent to suppliers of the goods or services being procured.
- 6.1.9** The organization shall have documented information on the checks to be undertaken to ensure the person signing the contract on behalf of a supplier has the authority to do so.

NOTE The description can promote transparent competition and can reflect all requirements including but not limited to specific features of "brand-name or equal" descriptions, the acceptability of metric measurements and preference for ecologically sound and energy-efficient products.

6.2 Contract management

- 6.2.1** The organization shall have documented information that determines when approval is required and who can approve any cost overrun.

NOTE 1 A cost overrun is where there is an increase in cost against the budget assumption of individual items.

NOTE 2 The cost overrun can be a value and/or percentage.

- 6.2.2** The organization shall have secure storage for vendor and supplier contracts.
- 6.2.3** The organization shall have a contract management process for review of current contractors or individuals. This shall include at least the following:

- a) who is responsible for the review of each type of contract and the frequency with which those reviews will take place
- b) how performance is assessed and the actions to be taken where performance is below standard; and
- c) how copies of contracts are stored, kept secure and can be accessed.

- 6.2.4** The organization shall require progress reports from the vendors in accordance with the milestones agreed upon in the contract.
- 6.2.5** The organization shall review all contract performance before renewal, or any extension is granted.
- 6.2.6** The organization shall keep and maintain records showing the amount still owing to each supplier.
- 6.2.7** The organization shall have a process to review suppliers and/or contractor's performance against the approved contract.

7 Governance

7.1 General

- 7.1.1** The organization shall have documented information that defines the delegated authority of who shall make or approve decisions.

NOTE Delegated authority ("Delegated authority") is the assignment of any responsibility or authority to another person or a group of people to carry out specific activities.

- 7.1.2** The organization shall have a communication plan on how its documented information (policies, processes, procedures etc.) is communicated to relevant staff.

NOTE Communication of the organization's documented information can be achieved through making them available to relevant staff in a document repository or the organization's intranet and/or specific training for staff who have responsibility for carrying out the documented information activity.

- 7.1.3** The organization shall keep records of all top management or governing board meetings which shall include at least the following

- a) attendees (who attended and who was absent)
- b) agenda items and papers
- c) record of the decisions made at the meeting or actions arising
- d) list of previous meetings actions arising and if cleared or not
- e) minutes approved by top management or governing board in a timely manner; and
- f) provide evidence of date and time for when the meeting was conducted.

NOTE Evidence of the date and time can include mention in the meeting documents (agenda, minutes), email communication, a recording of meetings showing the date or serial numbers.

- 7.1.4** The organization shall have an organizational chart, or equivalent documentation, showing the delegation of authority and be communicated to all staff.

NOTE The organizational chart may be made up of either people or committees who have delegated authority.

- 7.1.5** The organization shall have a code of conduct that is disseminated to all staff, and externally as appropriate.

NOTE 1 The code of conduct can specify the behaviors expected or prohibited within an organization.

NOTE 2 The code of conduct can clearly describe how complaints can be made and what action would be taken if staff do not comply with the code of conduct.

NOTE 3 The code of conduct can be part of other policies such as Equity, Diversity and Inclusion.

- 7.1.6** The top management or governing board shall have terms of reference specifying the method of appointment, qualifications and roles and responsibilities, which are clearly distinguished from the roles, responsibilities, and composition of operational roles of the organization.

NOTE Where the top management or governing board also has some operational functions then the terms of reference can state what these are and how they are to be managed.

- 7.1.7** The organization shall have documented information that defines the frequency of meetings of its top management or governing board.

- 7.1.8** The organization shall have documented information for who will review, and the frequency of, financial reports.

NOTE The financial reports can be reviewed by the top management or governing board at their meetings and any issue identified, investigated, and reported back to the top management or governing board.

7.2 Grant management and compliance

- 7.2.1** The organization shall have documented information on grant applications that includes at least the following:

- a) who can review and approve each application
- b) how to ensure grant applications are consistent with the organization's purpose
- c) how organizations comply with the grantors grant conditions; and
- d) how to identify any risks which have the potential to affect the organization's ability to deliver the plans and budget within the application and how they can be managed.

- 7.2.2** The organization shall have documented information to determine whether it will be able to comply with the grantor's grant conditions before signing any contract or written agreement with the grantor or third parties.

NOTE The organization can review a grantor's grant conditions prior to making the application and before signing any written contract or agreement with the grantor.

- 7.2.3** The organization shall have documented information to ensure grant conditions are being complied with throughout the life and closure of a grant.

NOTE 1 This can be a checklist of grantor conditions.

NOTE 2 Review can be performed by a competent person who is separate from the individuals managing the grant.

- 7.2.4** The organization shall store any document required to demonstrate compliance and which may be needed for inspection or audit for the period required by its grantors.

- 7.2.5** The organization shall ensure all grant contracts or written agreements are reviewed by a competent person to document any conditions which are in addition to the organization's documented information so that these are communicated to all those involved in delivering and managing each grant.

- 7.2.6** The organization shall have documented information for closing grants that includes at least the following:

- a) how the organization provides evidence that the grant conditions have been met
- b) how all claims have been made and the project or grant code is closed to new expenditure
- c) the treatment of any remaining expenditure in the project and process of closing of the grant code; and
- d) clarification of ownership of assets and inventory procured using the project funds.

7.3 Internal audit

- 7.3.1** The organization shall make any supporting documents covering financial and programme aspects of their grants available for audit.

NOTE Supporting documents can include but not limited to access to those held by suppliers or collaborators with this being a stipulated requirement in any contracts held between the organization and these entities.

- 7.3.2** The organization shall have documented information to ensure that all financial information in the financial management system has supporting documentation.

NOTE Supporting documentation can be a separate document, an approved journal, or a system outside the financial management system such as HR, fundraising, grants management systems etc.

- 7.3.3** The organization shall appoint an external competent person or organization to undertake grant audits as required by the grant conditions.

7.4 Risk management.

- 7.4.1** The organization shall have documented information for deterring, preventing, detecting, and responding to bribery, corruption, and fraud. This shall include the frequency of reporting to top management or governing board and other key stakeholders.

NOTE 1 This documented information can proactively put controls in place that:

- a) deters
- b) prevents
- c) detects; and
- d) communicates and trains staff on the documented information including how and to whom allegations can be reported.

NOTE 2 Documented information for responding to allegations of bribery, corruption and fraud can include at least the following

- a) how the investigation will be undertaken
- b) what actions can be taken if the allegation is proven or otherwise; and
- c) What reports are prepared and who receives this report.

- 7.4.2** The organization shall have a risk register which includes at least the following:

- a) key risks
- b) current risk rating based on likelihood and impact
- c) the desired risk rating
- d) what controls are already in place
- e) what additional controls are being implemented and who is responsible for implementing them, to bring the current risk to the desired risk; and
- f) frequency of update and reporting to top management and/or governing board.

NOTE Risk registers can be reviewed at least twice a year by the governing board who have oversight of risk for the organization.

- 7.4.3** The organization's risk register shall be maintained by competent people and approved by management.

- 7.4.4** The organization shall undertake an investigation after any instances of loss, damage, or theft and report the outcome to those delegated with oversight and grantors when applicable.

- 7.4.5** The organization shall have IT security and risk management processes that include maintenance of anti-virus software and firewalls to protect computer systems and information from unauthorized access and destruction.

- 7.4.6** The organization shall have a code of ethics which shall be communicated to all relevant staff.

NOTE 1 The code of ethics can specify a set of principles and ethical standards that staff are expected to uphold.

NOTE 2 The organization can communicate the code of ethics to people who are in a position to influence the organization but are not staff e.g. trustees or board directors.

7.4.7 The organization shall have, and communicate to staff, a whistleblowing reporting procedure that contains at least the following:

- a) how and where to report
- b) responding to and investigating any suspicions of wrongdoing
- c) protecting those who reported their suspicions without fear of punishment or unfair treatment
- d) protecting the rights of the accused; and
- e) resolution and outcome feedback to whistleblower.

NOTE The organization can identify an independent third party to whom staff can report activities requiring whistleblowing.

8 Sub-grantee management

8.1. The organization awarding sub-grants shall be compliant with DARS 1651-3 Advanced Requirements.

Refer to section 9 below for Collaborations and Collaboration Agreements which are more restrictive than sub granting and are designed for organizations seeking certification to DARS 1651-2 - Fundamental Requirements.

NOTE If an organization does not have collaborators, Section 9 is not applicable and can be excluded from the scope of their GFGP, Part 1 - Fundamental Requirements certification.

9 Collaboration management

Special styling of an element

9.1 Collaboration governance

9.1.1 A collaboration shall be a partnership or an association between the organization and another organization with the aim to collaboratively deliver the aims of a project or grant. It does not include selection of collaborators via open or closed calls with a formal evaluation process. Refer to 8.1 above

NOTE 1 Collaborations can be called consortium, partnerships, networks

NOTE 2 Collaboration can be the result of a joint application

NOTE 3 Partnerships can be legal arrangements particularly for longer term arrangements

NOTE 4 The organization can be responsible to the ultimate grantor for the administration and management of the collaborator / partner

NOTE 5 The collaborator can be selected due to being an organization with expertise and/or the capacity of delivering the activity and/or an existing MOU between the organizations and/or statutory or regulatory rationale.

NOTE 6 The collaborator can require capacity building of the organization or in their expertise to deliver the aims of the grant.

NOTE 7 The ultimate grantor can suggest collaborators.

9.1.2 The organization shall have documented information for the management of collaborators that shall include at least the following:

- a) a governance mechanism to provide oversight for all collaborations

NOTE In order to provide this oversight, an organization can establish a separate committee or an existing competent committee or identify a competent individual.

NOTE The committee can be a Risk and Audit Committee or other competent committee or person

- b) competent nominated person(s) who are primarily responsible for co-ordination and management of the collaboration process

NOTE The collaboration process can be allocated to different teams and functions. An example is the distinction between pre-award and post award. Another example is finance and grant management.

- c) a competent person(s) responsible for oversight and review over the financial management and other controls as required by the ultimate grantors grant conditions.

- 9.1.3 The organization shall have documented information on the review of the financial information provided by the collaborator(s).

NOTE This can be the procedure that a finance officer follows in their review of collaborator financial reports.

9.1.2 Collaboration audit

- 9.1.2.1 The collaborator agreement(s) shall specify that the collaborator is required to adhere to the audit requirements of the ultimate grantor, if applicable.

- 9.1.2.2 The collaborator agreement(s) shall specify that the collaborator shall be subject to the organization's own audit requirements.

- 9.1.2.3 The collaboration agreement(s) shall state the Organization's right to audit and access to financial information on a need basis.

9.1.3 Grants Management Information System (GMIS)

- 9.1.3.1 The organization shall have a system to record and track the financial and non-financial information, as applicable, for all collaborations and collaborators by project/grant.

NOTE 1 The system can be manual or electronic or part of the financial management system or a combination of both electronic and manual such as excel.

NOTE 2 The financial and non-financial information can include the following: active or closed; financials, start and end dates; revised end dates, reporting dates, grant amount, revised grant amounts, description of key milestones and deliverables. Some collaborations may not involve financial amounts.

9.1.4 Collaboration procurement

- 9.1.4.1 The organization shall have documented information specifying whether they can procure on behalf of a collaborator, where there is significant benefit to the project.

NOTE To build the capacity of collaborators and their institutions the organization normally does not make direct procurement for beneficiaries of its grants except under the following circumstances:

- a) where there is a compelling reason for a significant number of supplies or inputs to be of standard quality or specifications for a group of its collaborators
- b) where it can be clearly demonstrated that by procuring on behalf of its collaborators, the programme stands to benefit from significant discounts or tax or regulatory benefits
- c) where the collaborator does not have the capacity to procure or requests procurement support from the organization.

- 9.1.4.2** Where the ultimate grantor's grant conditions specify conditions around procurement for collaborators, the organization shall have documented information to ensure compliance with ultimate grantors grant conditions.

NOTE There is a risk that the organization can have 'disallowed' costs if the ultimate grantor's grant conditions are not followed. However, the organization can enter into negotiation with the ultimate grantor to allow procurement if it is beneficial to the project

9.1.5 Collaboration Monitoring, Evaluation and Learning

- 9.1.5.1** The organization shall implement a monitoring, evaluation and learning plan for collaborators as required by the ultimate grantor's grant requirements.

9.1.6 Funding of collaborator thresholds

- 9.1.6.1** The organization shall have documented information for determining the minimum and maximum advanced funding limit for collaborators.

NOTE 1 In determining the minimum and maximum amount of the advance for each collaboration, the ability of the collaborator to manage advanced cash can be taken into account.

NOTE 2 The documented information can refer to a % or number of months of budget or a process to determine the advanced funding amount

NOTE 3 the documented information can include the requirement for the collaborator to report a reconciliation between advances received, expenditure incurred, closing advance balance and forecast for the next advance required.

9.2 Due diligence of collaborators

- 9.2.1** The organization shall have documented information for conducting Due Diligence on collaborators which addresses, but not limited to, the following:

d) Governance arrangement and legal status

NOTE 1 Governance refers to the human-based system by which an organization is directed, overseen, and held accountable to achieve its defined purpose. The governance arrangements can have an impact on how a collaborator functions. Also refer to the governance practice area of this standard.

NOTE 2 Collaborators can be entities without legal status. The organization can have a collaboration with a non-legal entity. The organization can take the collaborators' status and their controlling entities into account as part of the risk assessment

e) Financial management

f) Human resources and

g) Procurement

NOTE 1 Due diligence can occur prior to recommendation for funding, prior to grant letter or post conditional grant letter. The organization can undertake due diligence at multiple stages such as eligibility and legal status at application stage, thorough due diligence at a later stage such as prior to grant letter or after conditional grant letter.

NOTE 2 Due diligence can be conducted at regular /planned intervals in accordance with the organization's documented information

NOTE 3 Organization can choose to adopt the Good Financial Grant Practice (GFGP) assessment tool for conducting collaborator due diligence.

NOTE 4 Due diligence can include a shortened process for collaborators certified to GFGP and only include due diligence for areas not covered by GFGP, such as ethics for clinical trials.

- 9.2.2** The organization shall document the due diligence assessment findings including issues found and actions taken. This report shall be submitted as per the Organization's documented information

9.3 Collaboration agreements

- 9.3.1** The organization shall ensure that the collaborator's grant budget includes only funding elements that are allowable under the ultimate grantor's cost guidelines.

NOTE An allocation for administration and management costs of the collaborator can be included as per the ultimate grantor's cost guidelines or the organization can negotiate with the ultimate grantor.

- 9.3.2** The organization shall conduct an orientation session for collaborators. The purpose of this orientation is to help the collaborator understand:

- a) The collaborator agreement terms and conditions;
- b) Technical and financial reporting schedule and guidelines;
- c) Procurement guidelines;
- d) Monitoring and evaluation of performance, if required by the ultimate grantors grant conditions

NOTE Orientation session can be conducted in person or via electronic media

- 9.3.3** The organization shall sign a collaboration agreement detailing the collaboration terms and conditions, including the right to free and unrestricted access to information relating to the collaboration.

NOTE 1 Collaboration agreements can be MOUs, MOAs, grant agreements or other types of agreements.

NOTE 2 Collaboration agreements can have significant grant conditions and terms, including, but not limited to: purpose of the grant, payment terms, reporting requirements, deliverables, data sharing, when the budget can be changed and when terms can be changed

NOTE 3 Ultimate grantor(s) can have overarching collaborative agreement across all the collaborators and the organization. The organization can then grant specific collaboration agreements with their collaborations, to ensure the ultimate and their own grant conditions are met.

9.4 Collaboration agreement implementation

- 9.4.1** The organization shall have documented information on the criteria for making the initial and subsequent 'disbursement' to a collaborator and how exceptions shall be handled.

NOTE Initial disbursement can be based on the organization's policy, ultimate grantors grant conditions and the due diligence risk assessment

- 9.4.2** The organization shall have documented information for post award monitoring.

NOTE Overall, post award monitoring can be undertaken through:

- a) Field visits to collaborators, where appropriate
- b) Review of periodic programme management, technical, procurement and financial management reports from the collaborator; and
- c) Project review meetings/workshops.

NOTE The purpose of the monitoring is to assess level of achievement of objectives set out in the implementation plan and collaborator agreement, document lessons learnt, identify challenges faced in implementation and seek ways of overcoming them.

- 9.4.3** The organization shall have documented information on reporting and review of collaboration reports that includes the nature and period of reporting for both technical and financial aspects of the collaboration that is in line with ultimate grant conditions.

NOTE 1 The reports can include:

- a) narrative reports

- b) key performance indicators (KPIs)
- c) financial report including budgets against actual expenditure, where applicable; and
- d) supporting documentation and information as requested by the organization.

NOTE 2 The documented information can include aligning the reporting to the ultimate grantors' grant conditions and the organization's own requirements

NOTE 3 Reviewed reports can be communicated with collaborators and action points tracked.

NOTE 4 A consolidated review report can be presented to the governance committee on a periodic basis.

9.5 Collaboration agreement close out

- 9.5.1** The organization shall have documented information on planning for the close out of collaborations to ensure expenditures charged to the grant are within the terms of the collaboration agreement and reported. The documented information shall include criteria for when a no cost extension shall be requested from the ultimate grantor.

NOTE 1 Activities for planning the close out of the collaboration agreement can include administrative matters, such as final accounting, reporting and audits as applicable, as well as the transfer or disposition of grant assets and inventory.

NOTE 2 Liabilities incurred post the grant end date can be accrued as expenditure if allowable by the ultimate grantor's grant conditions. Organizations can contact ultimate grantors to negotiate funding for post end date liabilities such as student fees, sample transportation, audit fees, post grant monitoring and evaluation, publication fees.

- 9.5.2** The organization shall have documented information on unspent cash assets as well as unspent noncash assets which shall be in compliance with ultimate grantors' conditions

NOTE 1 Unspent cash assets can include cash disbursed to the sub-grantee, unspent grant funds including interest, foreign exchange gains, tax refund and any other savings after eligible liabilities are settled.

NOTE 2 For remaining noncash assets, such as furniture, inventory, vehicles, the documented information can propose options such as:

- a) allowing the host institution to retain ownership
- b) transferring ownership to another entity (for example, government ministry, non-governmental organization)
- c) transfer of ownership from collaborator to the ultimate grantor organization; or
- d) disposal of the assets by selling and the proceeds used for furtherance of organizations objectives.

- 9.5.3** The organization shall have documented information on last disbursement date for anticipated closures that is in compliance with ultimate grantors grant conditions.

NOTE This can include negotiations with ultimate grantor for an approved grant closure budget or negotiations for no cost extension among others.

- 9.5.4** The organization shall have documented information on end of grant/collaborator reporting. Reports shall cover both programmatic and financial aspects of the grant/collaborator and period by which such reports are expected

- 9.5.5** The organization shall have documented information on retention of all records relating to collaborators and shall preserve all records with respect to its collaborations including the deliberations of collaborators selection and grant administration until closure. The retention period shall take into account the organization's own requirements, and any ultimate grantors grant conditions, as applicable.

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NOTE The retention period can be the maximum of each country's regulatory requirement, the organizations controlling entity requirement, the data owners' requirement (e.g. finance can require financial data to be available longer than the regulation requires) and for individual grants, the ultimate grantors requirements such as data relating to clinical trials.

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Annex A (Informative)

The seven principles and four key pillars of good financial grant management

A.1 The seven principles of good financial grant management

A.1.1 Accountability

All stakeholders, including grantees, have the right to know how financial and other support has been used to meet objectives. Grantees have an operational, moral and legal duty to explain their decisions and actions, and make their financial reports open to scrutiny.

A.1.2 Stewardship

Financial stewardship involves organization and/ or grant leadership that safeguards assets and investments. The top management and governing board ensure there are adequate governance structures, procedures and controls in place to demonstrate that the grant funding is being put to the use as per the grantor conditions.

A.1.3 Compliance to standards

The recording and reporting of financial transactions and documentation should observe accepted accounting principles. A qualified accountant from anywhere around the world should be able to understand an organization's financial accounting records.

A.1.4 Transparency

The organization and grantees should be open about their work, providing information about activities and plans to their stakeholders. This includes preparing accurate, complete and timely financial reports.

A.1.5 Viability

To be financially viable, a grantee's spending can be kept in balance with money coming in, both at the operational and the strategic levels. Viability is a measure of the grantee's financial continuity and security. The governing board and management can prepare a financing strategy to show how the organization should meet all its financial obligations and deliver its strategic plan.

A.1.6 Integrity

On a personal level, individuals should operate with honesty and propriety. For example, managers, top management and the governing board should lead by example in following organizational policy or declare personal interests that might conflict with their official duties. The integrity of financial records and reports is dependent on accuracy and completeness of financial records.

A.1.7 Consistency

Consistent use of financial policies and procedures is important for efficient and effective operations. For example, a clear procurement procedure should help staff to follow the correct process and ensure compliance with grantor rules. Consistent use of accounting codes in financial records and budgets produces financial reports that are consistent and transparent to key stakeholder.

A.2 The four key pillars of good financial grant management

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To provide further guidance to grantors and grantees as to which GFGP standard they may wish to be compliant,

Table A.1 describes the activities within internal controls, record keeping, planning and monitoring which would be occurring at Fundamental Requirements level and Advanced Requirements s level of compliance.

A.2.1 Internal controls

Internal control is a system of common controls, checks and balances designed to manage internal risk and safeguard the organization's money, equipment and other financial assets. The purpose of internal controls is to minimize losses, such as through theft, fraud, corruption, bribery or incompetence. An effective internal control system also protects staff, an organization's most important asset.

A.2.2 Record keeping

Every organization should keep an accurate and complete record of all financial transactions that take place during the financial year so they can show how grants have been used. Accounting records include both the physical paperwork (such as receipts and invoices) and the 'books' of account where the transactions are recorded and summarized.

A.2.3 Planning

Linked to the organization's strategic and operational plans, budgets are the cornerstone of financial management and play an important role in monitoring the use of grants. The financial planning process includes building longer-term plans, such as a financing strategy, and shorter-term budgets for projects, grants and programmes, and cash flow forecasts.

A.2.4 Monitoring

Provided the organization has kept accurate and timely accounting records, and has set its budgets, it is possible to produce financial reports for use by different stakeholders. For example, budget monitoring reports help managers to monitor the progress of their projects or grants, and annual financial reports provide accountability to external stakeholders.

Table A.1 – The GFGP –Fundamental Requirements standard and the four pillars of good financial grant management

Pillars	Requirements and activities
Internal controls	Internal controls such as safe and secure storage of cash and financial records. Documented information where required. It should be possible for an independent person to verify all transactions to the underlying records and original supporting documents Documented information for all key processes including a segregation of duties with another person other than the preparer to make payments or review financial reports. Bank reconciliations are undertaken to agree the bank account and the accounting records
Record keeping	Requirements are at least a cash-book, either manual or electronic, supported by the associated documents and receipts, including using unique references for transactions and organizing the supporting paperwork and organization records within a filing system. The financial management system may be a spreadsheet but with controls to prevent double payments of an invoice.
Planning	There are different budgets that list the expenditures expected to be funded from the grant. Preparation of budgets includes documenting the impact of foreign exchange variations, direct and indirect costs, other budget

	assumptions such as inflation and estimates for more complex expenditure.
Monitoring	Transaction level reports which list cash received and cash expenditure for each grant. Reporting requirements include narrative to explain variances to budgets but reporting is in line only with grantor requirements

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