AFRICAN STANDARD

DARS 1651-3

Second Edition 2025

Good Financial Grant Practice, Part 3: Advanced Requirements

Reference No. DARS 1651-3:2025

ICS 03.060

Table of contents

Foreword

The African Organization for Standardization (ARS) is an African intergovernmental organization made up of the United Nations Economic Commission for Africa (UNECA) and the Organization of African Unity (AU). One of the fundamental mandates of ARSO is to develop and harmonize African Standards (ARS) for the purpose of enhancing Africa's internal trading capacity, increase Africa's product and service competitiveness globally and uplift the welfare of African communities. The work of preparing African Standards is normally carried out through ARSO technical committees. Each Member State interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, Regional Economic Communities (RECs), governmental and non-governmental organizations, in liaison with ARSO, also take part in the work.

ARSO Standards are drafted in accordance with the rules given in the ISO/IEC Directives, Part 2.

The main task of technical committees is to prepare ARSO Standards. Draft ARSO Standards adopted by the technical committees are circulated to the member bodies for voting. Publication as an ARSO Standard requires approval by at least 75 % of the member bodies casting a vote.

Attention is drawn to the possibility that some of the elements of this document may be the subject of patent rights. ARSO shall not be held responsible for identifying any or all such patent rights.

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

ARSO Central Secretariat
International House 3rd Floor
P. O. Box 57363 — 00200 City Square
NAIROBI, KENYA

Tel. +254-20-2224561, +254-20-311641, +254-20-311608
Fax: +254-20-218792
E-mail: arso@arso-oran.org
Web: www.arso-oran.org

ARSO Central Secretariat
International House 3rd Floor
P.O. Box 57363 — 00200 City Square
NAIROBI, KENYA

Tel: +254-20-2224561, +254-20-311641, +254-20-311608
Fax: +254-20-218792

E-mail: arso@arso-oran.org
Web: www.arso-oran.org

Introduction

The objective of this DARS 1651-3 Advanced 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 of 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 to the requirements of this standard qualifies an organization to undertake sub-awarding of grants. An organization does not need to be compliant to the requirements of DARS 1651-2 Fundamental requirements before seeking compliance to 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.

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 aimed at larger or more complex organizations that have governance committees such as audit and risk committees, top management and oversight boards

NOTE 2 Typically these organizations can have FTEs of staff, consultants and volunteers of more than [100] and/or annual budgets for more than [USD 1 million].

NOTE 3 An organization that initially meets the above criteria i.e. is large and complex, however it requires significant capacity strengthening can consider implementing the 'Good Financial Grant Practice: Part 1: Fundamental Requirements' first, and then progress to the Good Financial Grant Practice, Part 2 - Advanced Requirements.

Further detail 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 3: Advanced 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 involved in complex grant activities, such as overseeing multiple projects, managing grant portfolios, and engaging in sub granting. The scope includes adequate governance arrangements such as Independent Boards and Audit and Risk Committees

1.3 Organizations that do not engage in sub granting can adopt the requirements of this standard, provided that their compliance and certification scope exclude any specific requirements related to sub granting.

1.4 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

4.1.1 The organization shall have a policy that sets out how grants are to be applied for, budgeted, reviewed, approved, recorded, reported, and monitored.

NOTE Depending on the grant conditions, 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. Organizations can contact grantors even if the grant conditions do not explicitly require it.

4.1.2 The organization shall prepare a consolidated budget which covers all grants, projects and activities including operational activities and which includes planned grant income.

4.1.3 The organization shall ensure that the most competent people, that is top management or governing board or individuals with delegated authority approve organizational budgets.

4.1.4 Where a budget is prepared for a grantor who requires reporting in a different currency from the currency used for expenditure, the organization shall prepare the budget in the currency of expenditure and convert it to the currency of the grant. 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.

4.1.5 The organization shall prepare a cash-flow forecast which includes each grant.

NOTE The frequency of the cash flow forecast can be determined by factors such as the minimum and maximum cash at bank and/ or funder requirement and /or Top Management requirements and/or changes in new grants awarded or approved budgets.

4.1.6 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.

4.1.7 The organization shall produce revised budgets or forecasts:

a) at least annually, and
b) cover a number of years into the future

NOTE The organization can have a strategic plan which includes its planning cycle and prepare budgets for this period. Planning periods depend on the organization and can be five years.

4.1.8 The organization shall have a policy for a three to five-year plan and reserves that is approved by top management and the governing board.

4.2 Income management

4.2.1 The organization shall have a policy 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 modified basis thereof

d) descriptions of non-grant income, e.g. interest, return on investments or fees or 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.

4.2.2 The organization shall have a policy that defines contributions in kind which includes at least their definition, recording, reporting and approval process.

NOTE1 Contributions in kind are also often referred to as gifts in kind.

NOTE 2 The organization can record a valuation for the contribution in kind

4.2.3 When evaluating a contribution in kind, the organization shall consider at least the following factors: the availability and adequacy of physical space, maintenance costs and availability, insurance costs, expiration dates, and the alignment of the contribution with the organization's aims.

NOTE A checklist form or e-form can be used in this evaluation

4.2.4 The organization shall have a policy that includes managing income in a foreign currency.

NOTE This policy can include how the organization will manage cash received in foreign currencies and how gains and losses are accounted for and managed.

4.2.5 The organization shall have a policy concerning how income will be classified to meet both grantors and internal requirements.

NOTE Classifications can include, but might not be limited to, grant income or capital or revenue grant income, interest from prefunded cash balances and membership fees or subscriptions.

4.2.6 The organization shall have a policy to receive income into either pooled or individual grantor's specified bank accounts.

4.2.7 The organization shall issue and keep uniquely numbered receipts for each item of income.

4.2.8 The organization shall have a policy that ensures that all income is entered into a financial management system.

4.2.9 The organization shall have a financial management system that is able to produce reports that satisfy grantor and internal reporting.

4.2.10 The organization shall have documented information for the allocation of grant income that can be used to cover indirect costs. This allocation criteria shall also adhere to any applicable grant conditions, be approved by a competent person or committee and monitored.

4.3 Expenditure management

4.3.1 The organization shall have a policy to prevent grantors' funds from being used for expenditure outside of the grant conditions.

4.3.2 The organization shall have a policy that sets out how to calculate the direct and indirect costs of a project, grant, contract, or activity. The policy shall include at least the following:

a) who the policy applies to

b) principles for the cost allocation

NOTE 1 These can be a reference to a grantor's terms and conditions for allowable costs or broader if required.

c) definitions of types of costs

NOTE 2 These can be direct, directly allocated; indirectly allocated; overheads/ administration etc.

d) methodologies to be applied

e) implementation process

f) risks monitoring

g) who within the organization approves the policy; and

h) links to other relevant policies.

NOTE 3 This can be a 'costing of activities' or 'cost allocation' policy and may be part of another policy e.g. budgets.

4.3.3 The organization shall have a policy that states who has the authority to:

a) requisition expenditure

b) authorize expenditure

c) authorize payments

d) act as a bank signatory

e) approve and sign contracts and other commitments; and

f) approve and issue organizational bank cards, including credit cards and other electronic payment methods.

NOTE 1 Organizations sometimes call this a policy scheme of delegation or a framework for delegated authority.

NOTE 2 Requests for expenditure requiring prior approval can be in writing and include an explanation justifying the expenditure.

NOTE 3 The reviewer can check the names of approvers, dates, designations, and signatures appearing on the payment vouchers.

4.3.4 The organization shall have a policy on expense or cost transfer between projects or grants with at least the following:

a) who authorizes the transfer

b) who can transfer; and

c) documentation required

4.3.5 The organization shall have documented information for monitoring open purchase orders.

4.3.6 The organization shall have documented information for monitoring if purchase orders have been made after the invoice has been received.

4.3.7 The organization shall have a policy that ensures payments for expenditure are paid on presentation of supporting documents.

NOTE 1 The policy can include but is not limited to the payment vouchers or 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).

NOTE 2 The policy can include how exceptions can be processed and authorized.

4.3.8 The organization shall have a policy that ensures that all expenditure is recorded into a financial management system.

4.4 Property, plant, and equipment

4.4.1 The organization shall have a policy for fixed assets, which includes capitalization threshold, useful economic life, depreciation, sale, and disposal. For the disposal of assets, the policy 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
c. what are the roles and responsibilities for disposing of an asset such that financial management systems and other relevant records are updated. The organization shall record information regarding the disposal of assets. This shall include at least the following
d. the item number
e. the rationale for the sale or disposal

NOTE Rationale can include obsolete, surplus, unusable, past their economic life among others;

f. the method of disposal, such as sale, donation or other
g. who approved the disposal
h. in case of sale, the price obtained
i. the name of the recipient of the disposed item
j. the date and entries of write-off from the register
k. how any confidential data which is part of or contained within an asset is identified and eliminated; and
l. consideration of any environmental impact of the disposal method.

NOTE Fixed assets include both movable and immovable assets.

4.4.2 Where the organization has Intellectual Property (IP), the following can be documented:

a. types of IP
b. who is responsible for each type of IP
c. who can approve entering into any new IP
d. the valuation basis
e. how often the property is revalued; and
f. a register of all IP.

4.4.3 The organization shall have a policy that specifies which assets shall be covered by insurance.

4.4.4 The technical and economic rationale for purchasing new assets shall be documented for all asset acquisitions.

4.4.5 The organization shall have a policy 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; and
b. if an asset is not able to be verified, the discrepancy investigated and resolved, reported and the list updated.

4.4.6 The organization shall have a policy for the acquisition and recording of assets by the organization including but not limited to the following:

a. how assets can be identified such that they can be reconciled to written records
b. acquisition date and cost, including purchase and any costs until asset is commissioned or additions thereafter
c. unique reference or serial number
d. department/division/section
e. people responsible

f. whether the asset is owned by the organization or leased or on loan from a third party

g. source of funds; and

h. location of asset.

NOTE The location can be a person for assets such as laptops

.

4.4.7 The organization shall have a policy to secure and safeguard its assets.

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

4.4.8 The organization shall have a policy 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.

4.4.9 In addition, the organization shall have a policy on impairment where the value of the asset in the financial management system is recorded at its economic value to the organization.

NOTE Economic value is the value of the asset calculated according to its ability to produce income in the future.

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

NOTE This can be included in the organizations procurement processes or policies.

4.4.11 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.

4.4.12 The organization shall have a policy for approving the use of vehicles, which shall include, at least the following;

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

NOTE For the use of a person's own vehicle, refer to expense claims

4.5 Cash, bank, and treasury management

4.5.1 The organization shall have a policy on cash, bank, treasury, and foreign exchange which include at least the following:

a) opening, closing, and making amendments to bank accounts

b) investing cash balances

c) minimum and maximum amount of cash required to maintain normal operations

d) security over cash in transit and cash on premises

e) management of any borrowing facilities

f) risk management of monetary assets and liabilities including at least:

   i. interest rate risk;

   ii. foreign exchange risk including how gains and losses are accounted for and managed;

iii. inflation risk;

iv. level and management of counterparty risk;

g) banking contingency management;

h) protection against money laundering;

i) the definition and use of financial instruments;

j) segregation of responsibilities, ensuring there is a clear segregation of duties regarding the cash and bank accounts. These shall include at least the following:

i. how the authorization of orders for goods and services is separated from those responsible for making and authorizing payments to suppliers; and

ii. how the cash payment records are reviewed by a more senior person than the people issuing cash and recording cash payments.

k) use of external service providers;

l) how incoming cash is received, receipted, and banked; and

m) where applicable, how cheques are to be managed, including at least the following:

i. use of sequential numbers;

ii. use of crossed cheques;

iii. retaining voided cheques; and

iv. recording payee details.

4.5.2 The policy on organization's cash, bank, treasury, and foreign exchange shall include:

a) a statement which is a declaration of plans and intentions of the organization; and

NOTE 1 An example of a statement. The organization is committed to undertaking the management of its cash flows, its banking, money market and capital market transactions by identifying and analyzing key risks, its appetite towards these risks and the documented information it will employ to balance these risks in the pursuit of optimum performance consistent with those risks.

b) principles of cash and treasury management.

NOTE 2 Principles can include a value statement as to the type of financial institutions the organization will enter an arrangement with.

4.5.3 The organization shall have a policy for petty cash. The policy shall include at least the following:

a) Statement which is a declaration of plans and intention of the organization for the use of petty cash;

b) Criteria for when petty cash can be used;

c) process for selection of the people responsible for making surprise counts of cash who do not have access to the cash;

d) frequency of petty cash counts and reconciliation to the finance management system.

NOTE 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 manager with delegated authority for the finance function

e) segregation of responsibilities;

f) security over cash in transit and cash on premises; and

g) minimum and maximum amount of petty cash to held.

4.5.4 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) people to whom the distribution is made;

d) signature or fingerprint of the recipient and the signature of the people distributing the cash; and

e) the purpose of the distribution.

4.5.5 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 of time.

NOTE The documented information can include how exceptional circumstances will be managed when supporting documentation is not available.

4.5.6 The organization shall have a policy to check that where the grantor provides cash advances, the cash is not used in ways which would not comply with the grant conditions.

NOTE This clause relates to funder advances and not internal advances to staff.

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 have a secure location to store all bank documentation including cheques, and access to this location shall only be for authorized individuals.

4.5.9 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

4.5.10 Where the grantor requires a dedicated bank account, 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.

4.5.11 The organization shall have documented information to ensure computers that have access to online banking facilities are secure, with up-to-date anti-virus and firewall software.

4.5.12 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.

4.6 Inventory management

4.6.1 The organization shall have a policy on classifying assets either as inventory or fixed assets.

4.6.2 The organization shall have an electronic inventory control system, to facilitate timely updating of movements of inventory and production of periodic records for inventory checks.

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.

4.6.3 The organization shall have a policy that includes how the inventory is valued, minimum and maximum stock levels and frequency of stock checking depending on risk.

4.6.4 The organization shall have a policy that states its methodology for issuing inventory. This shall include at least the following:

a. how inventory is received and receipted, including who will inspect and accept the inventory being delivered
b. the amount
c. Unit of measure
d. Cost of inventory being issues
e. Signature or other evidence of acceptance of the recipient; and
f. The person distributing the inventory.

4.6.5 The organization shall have a policy for de-recognition of inventory either due to obsolescence or expiry. This policy shall include at least the following:

a. the item number, where applicable
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.

4.6.6 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.

4.6.7 The organization shall have documented information for identifying and reporting any inventory that is unrecorded, missing or is past its useful life.

4.6.8 The organization shall appoint competent people who shall have the responsibility of keeping, counting and maintaining the current inventory.

4.6.9 The organization shall include, within the inventory, a policy of how it will consider the value of insurance cover for inventory.

4.6.10 The organization shall have a policy to report any loss or abnormal consumption patterns of inventory items to top management for monitoring and necessary action.

4.6.11 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.

4.6.12 The organization shall have a formal review and reporting mechanism for inventory management which involves conducting on-going monitoring activities.

NOTE These mechanisms can provide management with regular and up-to-date information on the status of the inventory in stock.

4.6.13 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 a policy on travel and expenses, which includes 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) restrictions on the class or method of travel

c) who approves expenses

d) 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 celling where there is a grant condition, or per diem as per the organizational policy where donors allow.

a) which expenses require a receipt and what procedures to follow when there is no receipt

b) 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

c) use of organization's bank or credit cards

d) under which circumstances entertainment costs can be claimed, and any relevant travel restrictions and grantor grant conditions

e) that no one member of the organization's staff has more than one advance at any given time without approval; and

f) requirements for submission of support documentation and travel report after each trip

4.7.2 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 to fuel vouchers used/fuel receipts; and

e) traveler's name, if applicable

4.7.3 Where staff use their own vehicles, there shall be documented information that includes at least the following:

a) eligibility

NOTE This can include requirement for prior written approval and business use only

b) insurance and vehicle condition

c) mileage reimbursement rate

d) documentation and reporting

e) expenses allowed; and

f) expenses not allowed

NOTE This can include parking and toll fees, can exclude fines, vehicle repairs, personal insurance premiums

4.8 Financial records and financial management system

4.8.1 The organization shall have a financial management system that has at least the following functionalities:

a) records entries at the transactional level with a unique identifier

b) provides an audit trail for each transaction from the start of the process to completion, such as purchase order to supplier payments to financial reports to underlying documentation

NOTE This means that every step can be recorded for each item in a finance report, from purchase order to final payment.

a) enforces segregation of duty

b) audit trail of changes and who made the change

c) ability to produce finance reports which can be checked back to the underlying transactions; and

d) ability to record budget and forecasts and produce financial reports that include at least the following:

i. period of reporting

ii. budget and actual expenditure for that period; and

iii. variance of actual expenditure to budget in both value and %

4.8.2 The organization shall have a policy on user access intended for all staff operating and managing the financial management system in the organization, accompanied by mechanisms put in place to classify users with reference level of seniority, level of management or user department in the organization.

4.8.3 The organization shall have a policy to:

a) require each user who accesses the financial management system to have a unique access password

b) periodically review the format of the unique access password requirements

c) review user accounts, privileged user accounts and administrators on a regular basis; and

d) authorize each new user and their access rights.

4.8.4 The organization shall have a policy to define the frequency and locations of back-up and recovery of critical system information. Back up refers to the copying and safe storage of electronic records in use to be restored in case of any data loss.

4.8.5 The organization shall have a policy for the governance of the financial management system to ensure it can produce auditable financial information. This shall include at least the following:

e) ownership within the organization

f) roles and responsibilities, including who has access to, and can make changes to the live system

g) types of changes to the financial management system ranging from changing financial reports to upgrades or new functionality

h) who can authorize changes to the financial management system; and

i) skills and experience required.

4.8.6 The organization shall have a financial management system that is capable of providing auditable financial reports, backed up by verifiable and original supporting documentation.

4.8.7 The organization shall have a policy to prevent unauthorized access to confidential digital data, records, and documents and to keep confidential records and documents secure at all times, especially when not in use. This shall include the physical security over paper documents and the system security over electronic documents.

4.8.8 The organization shall have a policy on data protection that protects digital and personal data and information and determines which data is classified as confidential and for how long these records shall be retained.

4.8.9 The organization shall have a policy which determines the frequency with which balance sheet items are reconciled and reviewed by a competent person who is more senior than the person who is undertaking the reconciliation.

4.8.10 The organization shall have a policy for prompt identification, escalation, resolution, and documentation of operational issues with the financial management system.

4.8.11 The organization shall have a three to five-year strategy for its financial management system. This shall include, at least the following:

a) the purpose of the financial management system and how it supports the organization

b) criteria for how the organization determines if the finance management system is meeting the needs of the organization

c) future enhancements, if any, to the current system and the milestones for delivery

d) how often the system is to be reviewed to determine if an upgrade or replacement is required; and

e) review of the technology platform that supports the financial management system.

4.9 Financial reporting

4.9.1 The organization shall prepare financial reports that are reviewed and approved by top management and/or governing board meetings.

4.9.2 The organization shall have documented information that states when expenditure that has been approved but which has not been spent in full is included within financial reports.

4.9.3 The organization shall be able to report on all income and expenditure as required by top management and the governing board. These shall include, at least the following:

a) income

b) expenditure

c) assets and liabilities; and

d) cash flows.

4.9.4 The organization shall have a policy to ensure financial reports submitted to grantors have evidence of review and approval by the people identified to do so in the organization and/or as specified in the grant conditions.

NOTE Evidence of approval can be an organizational stamp or a physical or electronic signature or using system controls.

4.9.5 The organization shall have a policy to ensure those with delegated responsibility receive appropriate financial reports.

4.9.6 The organization's financial reports to top management shall contain at least the following:

a) grant and other income for the period being reported

b) actual expenditure for the period being reported

NOTE Narrative can be included to state the basis on which the income and expenditure has been recognized.

c) a budget and/or forecast for the financial year

d) narrative for variances of actual expenditure to budget

e) assets and liabilities of the organization; and

f) cash flows as required;

NOTE Organizations can set criteria for when a variance of actual expenditure to budget is to have narrative.

4.9.7 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; and

c) a mechanism for recording grantor due dates.

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.

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

4.9.9 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.

4.9.10 The organization shall have policy 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.

4.9.11 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.

NOTE Approval by top management or governing boards can be recorded in the minutes

5 Human resources management

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 candidate.

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 fulltime, 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 that requires all staff involved in a recruitment process to declare any conflicts of interest.

5.1.5 Where grant conditions require, time sheets, or alternative documentary evidence of levels of effort on programme activities, shall be prepared by 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.

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

5.1.7 The organization shall stipulate the difference between individual consultant and employment contracts. consultants' fees shall be separately identified from employee's 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.

5.1.8 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 more senior to the people who prepared the payroll before payment can be processed.

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

5.1.10 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.

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

5.1.11 The organization shall have a policy for ensuring only staff with an active contract are paid and that they are recorded accurately to the correct grant or operational area. This policy shall include at least the following:

a) approval and documentation required for a person to be added to and removed from the payroll;

b) approval and documentation required for a person's pay to be changed;

c) approval and documentation required to move a person from one project or grant code to another;

d) defined roles and responsibilities such that there is segregation of duties between payroll preparer, authorizer and making the payment;

e) segregation of duties between the people who update HR records and those who prepare the payroll;

f) who is authorized to have access to the payroll system; and

g) that the payroll system has an audit log that can highlight who has accessed the system.

h) the organization shall prepare monthly payroll data including, at least the following:

  i) reconciliation to the previous month's payroll data highlighting any:

  (i) new staff; and

  (ii) staff leaving.

j) payments to staff over and above their normal payments;

k) other reconciling data; and

NOTE Such as changes to bank details.

l) any staff whose expenditure code has changed from the previous month.

5.1.12 Payroll data shall be verified by management staff with delegated authority prior to processing the payroll for payment.

5.1.13 Changes from the previous month shall be supported by authorized documentation.

5.1.14 The payroll data shall be recorded in the financial management system.

NOTE There can be a reconciliation to the general ledger.

5.1.15 The organization shall have a policy for preventing, detecting, and responding to allegations of corruption, fraud, and bribery.

5.1.16 The organization shall have a human resources management system to record staff, staff pay, and overtime undertaken.

NOTE This system can have similar levels of control as the financial management and payroll systems

5.1.17 The organization shall have a policy on human resources (HR) that include:

a) statement which is a declaration of plans and intentions of the organization;

b) planning and recruitment of staff

c) selection procedure for new staff

d) terms of contracting

e) promotion of staff

f) disciplinary procedures

g) starters and leavers procedures

h) training of staff

5.1.18 The organization shall have a policy for the conflicts of interest. This policy shall include at least the following:

a) Definition

NOTE Definition can be 'a conflict of interest arises when a person or organization has multiple interests, and serving one interest could involve working against another typically where personal interests conflict with professional duties. It can include circumstances that could lead to biased decision making or actions that are not in the best interest of the organization or stakeholders

b) Purpose

NOTE To identify, disclose, and manage situations where conflicts could arise, ensuring that decisions are made impartially and ethically. Examples are: An employee participating in the hiring process where a close relative is a candidate, a researcher conducting a study funded by a company that might benefit from positive results.

c) Training

d) Person or person(s) responsible for identifying situations where 'conflict of interest' can arise and the process and documentation required to mitigate this risk.

NOTE Process can be a declaration at the start of the meeting or activity, minutes of the meeting or a form that is signed declaring either no conflict or if there is a conflict.

5.1.19 The organization shall have a code of conduct which specifies the behaviors expected or prohibited within an organization.

5.1.20 The organization shall have a code of ethics which specifies a set of principles and ethical standards that staff are expected to uphold.

5.1.21 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 practice and systems.

NOTE 2 Where timesheets are required, 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 grant conditions.

5.1.22 The organization shall have a policy for establishing and reviewing an approved salary structure

5.1.23 The organization shall have a policy on remuneration that includes at least the following:

a) basis of pay increase and performance assessment

b) how the organization will benchmark its' pay in relation to the market; and

c) who reviews and approves pay increases.

5.1.24 The organization shall have documented information to ensure that staff leaving have an exit interview and that the outputs from these exit interviews are reviewed by senior human resources staff and escalated as required.

5.2 Staff development

5.2.1 The organization shall have a policy on staff development which includes at least the following:

a) statement which is a declaration of plans and intentions of the organization

b) annual staff performance reviews and development requirements

c) staff development plans in line with the individual's development aims and the organization's goals and values; and

d) post training feedback from staff which includes at least an evaluation of how the training met the intended objectives.

5.3 Staff performance management

5.3.1 The organization shall have a policy on staff performance management that includes at least the following:

a) staff performance planning

NOTE 1 The organization can use a cascade process from top to bottom to set staff performance objectives
NOTE 2 Performance objectives can be specific, measurable, achievable, relevant, and time-bound (SMART).

b) performance feedback;

NOTE 1 Organization's feedback can be constructive, specific, and timely.
NOTE 2 Performance feedback can include coaching
NOTE 3 Feedback can be regular with best practice being more frequently than annually.

c) performance evaluation; the performance evaluation process shall involve participation and agreement between employees and their managers.

NOTE Performance review meetings best practice can be to have regular meetings throughout the year.

d) performance improvement;

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

e) compliance and ethical consideration;

NOTE Refer to Code of Conduct and Code of Ethics

f) performance documentation and record keeping; and

NOTE 1 The organization performance feedback and coaching can be documented for future reference and follow-up.
NOTE 2 Documentation can include performance plans, progress reports, feedback records, performance evaluations, and improvement plans, among others.

g) staff audit and review.

6 Procurement

6.1 Planning

6.1.1 The organization shall have a policy on procurement that demonstrates that procurement is value for money, delivers the organization's objectives, is transparent, and that decision making is free from conflict of interest with key roles having segregation of duties. The policy shall include at least the following:

a) statement which is a declaration of plans and intentions of the organization
b) criteria for selecting preferred suppliers
c) criteria for when supplier framework contracts or prequalified suppliers are to be used
d) the specific modes of procurement the organization can use, such as:
   i. previous contract outcome and apply to new procurement situation
   ii. request for proposal

iii. expression of interest

iv. invitation to tender; and

v. request for quotations.

NOTE 1 Requests for proposals (RFP) are typically used where the organization either can't – or doesn't want to define the specifications up front to an adequate level of detail. Often organizations are faced with situations where they know what they want to achieve, but they don't have the expertise or time to figure out how to get there. They need to rely on the experience and creativity of suppliers to define the best path to success. This requires the potential supplier to define the work.

NOTE 2 Invitations to tender are typically used where the organization knows in detail what they want. The invitation to tender document contains detailed specifications for the performance of the work as well as detailed qualifications and requirements for the suppliers to meet. Examples are construction works and services, e.g. cleaning.

NOTE 3 Requests for quotation (RFQ): is a lot like an invitation to tender, however typically smaller in size and scope. They are often more geared towards organizations who are seeking pricing information for a defined scope of work or supply of materials or equipment. Like the invitation to tender, the specifications, terms, and expectations are well laid-out and the supplier has fewer obligations for defining the scope themselves.

e) when and how the procurement modes shall be used;

NOTE 4 This will take into account the value, risk, and complexity of the procurement as well as grant conditions.

f) stipulation of roles and responsibilities for each mode of procurement;

NOTE 5 For sealed bids, the procurement process will include who the bids are addressed to; who opens them, and who evaluates them.

g) who shall be involved in the procurement process and what is their role with consideration of conflicts of interest;

h) in what circumstance, if any, is the supplier with the lowest cost not to be the preferred supplier;

i) any additional legal or ethical requirements specific to the region or country where the procurement is taking place;

j) when references are to be taken up; and

k) how conflicts of interest will be identified.

l) the criteria for when a contract requires interim progress reporting.

6.1.2 The organization shall document the criteria used to select the supplier to support the decision as best value for money.

6.1.3 Where there is a formal procurement process undertaken, the organization shall send to the suppliers, at least the following:

a) the legal name of the organization;

b) specification of goods and services being procured;

NOTE This ought to be in sufficient detail that will enable the organization to hold the supplier to account for delivering the goods and services.

c) a requirement that the bidders respond in a specific format to allow easy comparison with other bidders;

d) specific format for costs; and

e) any exceptions shall be documented and reported.

6.1.4 The organization shall have a committee, composed of competent people, that as part of its function, has oversight of the procurement activity.

6.1.5 The organization shall record all minutes of these committee meetings.

NOTE The committee may be a procurement committee or another committee of which oversight of procurement is one of its responsibilities.

6.1.6 The organization shall have a policy for handling and documenting complaints of potential and current vendors. The policy shall be made available to potential or current vendors on request.

NOTE This policy can be enhanced by including a procedure for identifying, managing and reporting contracts that are not performing.

6.1.7 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.

6.1.8 The rationale for purchasing new assets shall be documented for all asset acquisitions

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.

6.2 Contract management

6.2.1 The organization shall have a policy that includes at least the following:

a) who maintains and monitors a list of supplier contracts and their expiry dates; and

b) how to undertake the assessment of the risk to the organization of key suppliers and who has oversight of that risk.

c) who is responsible for the review of each type of contract and the frequency with which those reviews will take place; and

d) how performance is assessed and the actions to be taken where performance is below standard.

6.2.2 The organization shall have secure storage for vendor and supplier contracts.

6.2.3 The organization shall require that all cost overruns be only admissible with express approval from the organization and that such overruns be within the grant budget limits.

6.2.4 The organization shall have a policy that determines when approval is required and who can approve any cost overruns. The policy shall state when a cost overrun requires approval.

NOTE 1 A cost overrun can be a value and/or percentage.

NOTE 2 A cost overrun is where there is an increase in cost against the budget assumption of individual items.

6.2.5 The organization shall review all contract performance before renewal, or any extension is granted.

7 Governance

7.1 General

7.1.1 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.

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

7.1.3 The organization shall have a documented vision, mission, and set of goals that are articulated and communicated to staff members and key stakeholders.

7.1.4 The organization shall have a binding document that defines the governance and the purpose of the organization.

NOTE This document can be the Articles of Association (AOA) or Memorandum of Association (MOA) or Memorandum of Understanding (MOU) or Charter or Constitution or other form.

7.1.5 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 can be made up of either people or committees who have delegated authority.

7.1.6 The organization shall have policy for recording, retaining, and disposing off all financial documents and data. This shall include at least the following:

a) how long documents and data are retained
b) how and where documents and data (whether in physical or electronic form) are retained; and
c) how documents and data are securely disposed off.

7.1.7 The organization shall have a board or committee with sufficient expertise, that is responsible for oversight of risk and internal audit.

NOTE The committee can be a separate risk committee or be part of the audit committee or other committees or a board.

7.1.8 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 meeting's actions arising and if cleared or not
e) record of approval by the Board (this should be done within the defined time); and
f) evidence of the 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.

7.1.9 The organization shall have a policy that demonstrates its governance structure in all its grant applications. The policy shall include at least the following:

a) where an activity received funding from a multiple number of grantors

b) where there are multiple sub-grantees; and

c) where there are multiple geographical locations.

7.1.10 The organization's governing board shall include individual (s) with sufficient financial knowledge to readily understand and review and demand as required, financial information and, accordingly, hold management to account for financial performance.

7.1.11 The organization shall have disaster recovery and business continuity plans that have been reviewed and approved by top management or a competent person or a sub board who has appropriate delegated authority. The plans shall include at least the following:

a) roles and responsibilities;

b) communication plan;

c) frequency with which scenario testing shall be carried out;

d) who the outcome of the scenario testing shall be reported to; and

e) how often the plan is to be reviewed and updated.

7.1.12 The organization shall have a strategic plan that has been reviewed and approved by the governing board.

7.2 Grant management and compliance

7.2.1 The organization shall have a policy on grants management and compliance which sets out the controls that govern the relationship with funders. The policy shall include at least the following:

a) statement which is a declaration of plans and intentions of the organization

b) the grant application process

c) negotiation and signing contracts or written agreements with grantors

d) ensuring ongoing compliance with grantors' grant conditions

e) the closeout of all grants to ensure compliance with each grantor's closure requirements and that the organization's own documented information including ensuring the financial management system reflects the grant closure and any requirements to store records for inspection or audit after grant closure

f) Note: organisation can also update other systems such as grant management system as required.

g) if funding opportunities shall be sought, and if so, using what criteria; and

h) who is authorized to submit applications for grants

i) 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 an internal risk-based assurance process that confirms its compliance with grantors' grant conditions and the organization's own policies governing grant management.

7.2.3 The organization shall include within its internal audit programme a review of whether the organization's controls are adequate to gain assurance that it is complying with grantors' grant conditions.

7.2.4 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.

7.2.5 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 have an internal audit function in place with a governance arrangement such that the internal audit activity is independent of top management.

7.3.2 Where the organization uses third-party internal auditors, there shall be a contract.

NOTE This contract can include how the organization can share the audit reports with grantors and other key stakeholders.

7.3.3 Where the organization uses third-party internal auditors, there shall be terms of reference which state at least the following:

a) maximum length of appointment without review

b) frequency of the process for assessing the internal auditor's performance; and

c) maximum length of time before a formal procurement exercise is undertaken to test the market.

d) Course of action to be followed if contract is breached.

NOTE 1 Best practice is that a review of the internal auditor's performance can be conducted at least once every two years.

NOTE 2 Best practice is that a formal procurement exercise can be held at least every five years.

7.3.4 The organization shall, when appointing an internal auditor, check that they are competent. The audit committee or people or other committee delegated with authority over the internal audit function, shall be responsible for appointment and removal of third-party internal auditors and /or the head of internal audit.

NOTE This can be demonstrated by the inclusion of qualification and experience required within job descriptions for staff and procurement documents for third parties.

7.3.5 The organization shall have an annual internal audit plan which will include, on a risk basis, a review of the following key financial controls:

a) bank and other balance sheet reconciliations

b) payment of expenditure and receipt of funds

c) compliance with grantor's grant conditions

d) petty cash and staff expenses

e) annual leave accruals

f) finance management systems

g) finance reports to key stakeholders and internal boards and committees charged with financial oversight

h) inventory and other consumables

i) assets; and

j) a review of controls to identify corruption, bribery or fraud vulnerabilities, including implement of specific prevention strategies and educating staff about the risks.

NOTE Organizations can structure their internal audit work using different strategies based on risk levels. For example, for high-risk areas, internal audit might review transactions before they are performed. In contrast, for lower-risk areas, the internal audit may be conducted on an annual or biannual basis using a sample approach. For instance, an organization could require an audit review of a payment prior to its execution, while performing an annual sample review of bank reconciliations.

.

7.3.6 The organization shall present for approval the internal audit plan to a competent committee on, at least, an annual basis.

NOTE The internal audit plan can distinguish between the different strategies which are high risk areas whereby the review is part of the transaction process versus the lower risk areas where internal audit undertakes a sample review

7.3.7 If the internal auditor becomes aware of illegal acts or other irregularities, he or she shall give prompt notice to the involved people's supervisor, a member of top management or a member of the audit committee.

7.3.8 The internal audit activity's plans and resource requirements, including significant interim changes, shall be presented to top management and the governing board and/or audit committee for review and approval at least on an annual basis.

7.3.9 The organization shall supplement the internal audit function with external expertise as and when required to ensure that the audit or review is carried out by competent people.

7.3.10 The organization shall have a policy in place that ensures that all internal audit findings and recommendations are addressed.

NOTE This can be a collective record of all outstanding audit issues and their due dates with monthly follow up with issue owners and a report to the governing board or committee responsible for ensuring issues are completed.

7.3.11 The organization shall have an audit committee to assist the governing board in fulfilling its oversight responsibilities in relation to:

a) the financial reporting including timelines (where relevant);

b) the system of internal control;

c) the audit process; and

d) the organization's process for monitoring compliance with laws and regulations and the code of conduct.

NOTE 1 The audit committee's functions can include review and commentary on the annual programme of the internal audit functions. This review can include updates, review of management responses to, and implementation of the recommendations by the internal audit function. In addition, this review can provide an opinion to the grantor, regarding the financial stability of the organization.

NOTE 2 An audit committee can be constituted as an Audit and Risk Committee.

7.3.12 The organization shall have a document that defines internal audit's purpose, authority, responsibility and position within the organization. It shall include the reporting lines to demonstrate how it will maintain a degree of semi-autonomous independence.

NOTE 1 The document can include how the organization will approach its internal audit programme on a risk basis.

NOTE 2 The people who lead the internal audit function can periodically review the document and present it to top management and the governing board for approval.

7.3.13 The organization shall have an internal audit function that complies with International Standards.

7.4 Risk management

7.4.1 The organization shall have a policy on risk that includes at least the following:

a) risk appetite of the organization across all its functions

NOTE The risk appetite can be in tiers such as 'risk adverse', receptive' (takes risks within limits) and 'bold' (takes risks where appropriate for expected benefit).

b) approach to risk that is proportionate and aligned

c) governance and reporting lines

d) how risk will be measured and monitored through the risk register (i.e., frequency and impact)

e) maximum period of time before the policy is reviewed; and

f) frequency and method for carrying out risk assessments of all key operational activities.

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 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.

7.4.4 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.

7.4.5 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.

7.4.6 The organization shall have a disaster response plan which includes at least the following

a) impact analysis to identify time-sensitive or critical activities, services, functions and processes and the resources that support them

b) identities or names of the disaster recovery team with responsibility for implementing the plan; and

c) how to identify, document, and implement the activities identified in (a).

7.4.7 The organization shall carry out a simulated exercise of possible disasters to determine if the disaster response plan meets its objectives or aims.

NOTE A simulation exercise can be carried out on an annual basis.

7.4.8 The organization shall report the outcome of this exercise to the top management and/or governing board.

7.4.9 The organization shall have a policy for preventing, detecting, and responding to allegations of fraud, corruption, and bribery. The policy shall include at least the following:

a) the organizations intention of the Policy;

b) to whom the policy applies;

c) definition of fraud, bribery, and corruption;

d) risk assessment;

e) consideration of gifts and hospitality;

f) training and communication; and

g) monitoring and assessment.

NOTE The policy 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.

.

7.4.10 The organization shall carry out vetting and background checks for all people appointed to the governing board and top management so that their expertise and qualifications meet the job requirements.

7.4.11 The organization shall have a competent person responsible for the risk management function.

7.4.12 The organization shall have a risk management function which advises and coordinates between the governing board, top management, and operational staff to understand and carry out their roles and responsibilities in risk management.

NOTE This function can be either an internal or external function and/or part of different departments.

7.4.13 The organization shall have a mechanism to profile and classify sub-grantee's risk levels as low, moderate, or high.

7.4.14 The organization shall have a succession plan for its key functions which includes at least the following:

a) short term or immediate replacement of staff or resource critical to the organization's ability to deliver to the grant conditions; and

b) training and development of staff with potential to fill leadership and other critical roles.

7.4.15 The organization shall have a plan to ensure its medium to long term sustainability. This shall be reviewed periodically and include at least the following

a) medium-to-long-term funding strategy

b) level of reserves; and

c) the organization's ability to deliver its mission and aims.

NOTE The frequency of the review can be determined by reference to significant changes in funding and/or investments, strategic planning cycles, sustained growth.

8 Subgrant management

8.1 Subgrant governance

8.1.1 General

8.1.1.1 The organization shall have a subgrant management policy which includes at least the following;

a. a governance mechanism to provide strategic oversight for all sub-granting activities

NOTE 1 In order to provide this strategic oversight, an organization can establish a separate committee or an existing competent committee or include it with the duties of the governing board or top management

NOTE 2 Wider roles and responsibilities of the governing board are set out in governance section of this standard

b. definitions for different classifications of subgrants that result from;

i. an 'open' call - an open call for applications is a public invitation extended to anyone who meets the eligibility criteria to submit proposals or applications for a specific opportunity, such as grants, job positions, competitions, or projects. This type of call is typically advertised widely to reach a broad audience and encourage diverse participation

ii. a 'closed or direct' call - a closed or direct call is an invitation extended to a select group of individuals or organizations to either be a partner or collaborator or to submit proposals or applications for a specific opportunity. This type of call is usually limited to pre-identified candidates who meet specific criteria or have been invited based on their qualifications or previous engagements

iii. a collaboration - 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.

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 primary grantor can suggest collaborators.

c. the organisation shall have documented information for classifying calls to either an ‘open’ or a ‘closed or direct’ call or a ‘collaboration/partnership’.
d. the requirements detailed in clause 8.2 (Soliciting applications) and 8.3 (Screening and selection) of this standard do not apply for collaboration/partnership and the requirements detailed in 8.2 (Soliciting applications) do not apply for Closed or Direct calls.

e. detailed in 8.2 (Soliciting applications) do not apply for Closed or Direct calls.

8.1.2 Sub grant finance and audit

8.1.2.2 The organization shall have a committee responsible for oversight over the financial management, risk management, controls and compliance issues of the sub granting programme. The roles and responsibilities of this committee shall be set out in the organizations’ governance documents.

8.1.2.3 The sub-grant award conditions will specify the sub-grantee shall comply with both the primary grantor’s audit requirements and be subject to the organization’s own audit programme.

NOTE The committee can be a risk and audit Committee or other competent committee.

8.1.2.4 The organization shall have a policy on audit of sub grants in accordance with sub grant conditions. The policy shall clearly define if a sub grant requires a financial audit and at what intervals.

8.1.3 Sub grant management

8.1.3.1 The organization shall have competent nominated person(s) who are primarily responsible for co-ordination and management of the sub-grant process

NOTE 1 The sub-granting process can be allocated to different teams and functions. An example is a distinction between pre-award and post award. Another example is finance and grant management.

NOTE 2 The person can have the job title of sub grant or grant manager, programme manager, grant accountant or equivalent position.

8.1.3.2 The organization shall have a job description(s) for the person(s) who is primarily responsible for the sub grant process.

NOTE 1 The job description can include who is responsible for communicating the process to key stakeholders.

NOTE 2 The job descriptions will follow the organizational structure. For example, if the organization has separated the pre-award from the post award, then there would be two job descriptions which are relevant for each role.

8.1.4 Grants Management Information System (GMIS)

8.1.4.1 The organization shall implement a Grants Management Information System (GMIS), to manage and administer sub grants.

NOTE The system can help the program staff to track and organize the sub grant making process from applications, proposal receipt through closure.

8.1.4.2 The grants management information system shall have capacity to track all key stages of the grant awards and provide a centralized database location relating to the grants.

8.1.4.3 The grants management information system shall have the ability to identify each sub grantee within the respective project/grant thereby helping program staff and other stakeholders generate reports tailored to their respective needs and allowing for accurate retrieval of data.

NOTE The grants management information system may use unique codes as a means to identify sub grants and sub grantees.

8.1.4.4 The grants management information system shall have the ability to facilitate the collection and tracking of qualitative and quantitative information needed for evaluation, analysis and outcomes measurement.

8.1.5 Sub grants planning and budgeting

8.1.5.1 The organization shall develop an annual sub granting work plan that sets out programme objectives with measurable targets.

NOTE 1This can be included as part of other documentation such as an operational or strategic plan

NOTE 2 This can include budgets and/or cash flow and/or commitments.

8.1.5.2 The organization shall develop an annual budget that includes estimated costs for programmatic activities as well as the administration and management of sub grants.

8.1.5.3 The organization shall prepare and keep an updated commitment schedule for all grants.

NOTE The commitment schedule can capture the following:

a) grant value per sub grantee;

b) sub grant payments to date;

c) sub grant balance; and

d) scheduled sub grant payments.

8.1.6 Sub grantee procurement

8.1.6.1 Where grant conditions allow, the organization shall have a policy specifying whether they can procure on behalf of a sub grantee.

NOTE To build the capacity of sub grantees 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 sub grantees;

b) where it can be clearly demonstrated that by procuring on behalf of its sub grantees, they stand to benefit from significant discounts;

c) where there is a significant risk of funds being used by the sub grantee for reasons other than what they are authorized for can be demonstrated.

8.1.7 Sub grant Monitoring and Evaluation (M&E) plan

8.1.7.1 The organization shall have a monitoring and evaluation plan which presents objectives, program delivery areas, indicators, and qualitative and quantitative performance measures/objectives for the duration of the sub grantee project.

8.1.8 Funding of subgrantee thresholds

8.1.8.1 The organization shall have a policy for the funding of subgrantees which shall include at least the following:

a) funding options

NOTE Funding options can include any or all of the following:
i) funding in arrears where payment is made after expenses are incurred.
ii) funding in advance where payment is made in advance of expenditure being incurred
iii) funding on an imprest basis where a payment is made of a set amount and subsequent payments based on actual expenditure with the last payment withheld until final expenditure report is submitted
iv) fixed price funding where a payment is made based on a set amount for delivery of a milestone.

b) each funding option shall have a risk assessment and how these risks will be mitigated. This shall take into account the sub grantees capacity to manage funding in advance

NOTE Risk can be measured in terms of 'loss' of funding and/or delay or harm to the grant objective due to subgrantee being unable to fund the activity in advance.

c) for each funding option what additional reporting, grant close out procedure and/or risk mitigation shall be implemented over and above the organization’s usual funding.

NOTE The primary grantors grant conditions can be taken into account

d) the funding limits and how they are to be determined

NOTE Funding limits can be equal to the amount of spend for funding in arrears; equal to grantee next six month forecast for funding in advance;

e) for each funding option, the decision-making process that shall be required

NOTE An example is that for funding in advance can require additional approval at top management or other competent decision makers.

8.2 Sub grant Soliciting applications (open calls only)

8.2.1 Request for Applications (RFA)

8.2.1.1 The organization shall prepare a request for applications (RFA) for all open call sub grant schemes

8.2.1.2 The organization shall publish on its website or a platform easily accessible by potential applicants, each sub granting RFA’s.

8.2.2 Sub grant Information dissemination and optimization of solicitations received

8.2.2.1 The organization shall have a policy for information dissemination to demonstrate there was competition in the selection of subgrants to the maximum practicable extent through one of the following solicitation strategies.

a) the use of open and closed calls for applications

b) the use of direct and indirect solicitation

c) the use of other solicitation strategies.

NOTE 1 Solicitation strategies can include advertisements and features in print and electronic media, conferences, workshops and launches among others.

NOTE 2 The organization can identify potential sources of applications and engage these sources to catalyze worthwhile applications.

NOTE 3 Strategies can include advertisements and features in print and electronic media, conferences, workshops and launches among others.

NOTE 4 Solicitation is the active seeking or requesting applications from organizations.

NOTE 5 strategies can include advertisements and features in print and electronic media, conferences, workshops and launches among others.

NOTE 6 The organization can take advantage of co-sponsored forums such as workshops, conferences and high profile launches to engage stakeholders and market the sub grants programs.

8.2.2.2 The organization shall document the rationale for their solicitation strategy.

8.2.2.3 The organization shall have in place strategies to promote and advertise the sub grant programs.

NOTE 1 Strategies can include advertisements and features in print and electronic media, conferences, workshops and launches among others.

NOTE 2 The organization can take advantage of co-sponsored forums such as workshops, conferences and high profile launches to engage stakeholders and market the sub grants programs.

8.2.3 Sub grant Request for Applications (RFA)

8.2.3.1 The organization shall develop a request for application (RFA) that will contain all elements of the sub granting and make a public announcement that includes at least the following:

a) summary of the sub grants requirements;

b) eligibility criteria;

c) general description of the proposed sub grant scheme;

d) cost sharing element, required or suggested, as applicable;

e) budget submission forms;

f) instruction-guide for preparing the proposal, the place of submission and the process for seeking clarification, deadline for submission of application and the mode and place of submission;

g) technical and financial criteria which will be used to evaluate applications and to select successful applicants (this can be summarized);

h) expected reporting schedule;

i) expected duration or the period of performance

j) consequences of late submission;

k) point of contact, including name, title, address and phone number;

l) statement to the effect that the organization reserves the right to fund any or none of the applications submitted; and

m) other relevant information, such as frequently asked questions.

NOTE The announcement can also include the following

n) how the awards will be administered;

o) estimate of funds available and number of awards to be issued;

p) Supporting letter from the applicant's organization

q) reference to any required certification and representations;

r) due diligence process if applicant is successful

8.2.3.2 The request for applications shall be distributed to all interested organizations and a list of the organizations shall be maintained.

8.2.3.3 The organization shall have a proposal submission deadline for each round of applications which shall include a specific time and date after which submissions received after that time and date shall not be considered.

8.2.3.4 The organization shall have sub grant guidelines that outline the eligibility criteria for each of the sub grants scheme.

NOTE In general, only grants which meet the criteria are eligible for sub grant awards:

8.2.4 Sub grant Information dissemination and optimization of solicitations received

8.2.2.4 The organization shall have a policy for information dissemination to demonstrate there was competition in the selection of subgrants to the maximum practicable extent through one of the following solicitation strategies.

a) the use of open and closed calls for applications
b) the use of direct and indirect solicitation
c) the use of other solicitation strategies.

NOTE 1 Solicitation strategies can include advertisements and features in print and electronic media, conferences, workshops and launches among others.

NOTE 2 The organization can identify potential sources of applications and engage these sources to catalyze worthwhile applications.

NOTE 3 Strategies can include advertisements and features in print and electronic media, conferences, workshops and launches among others.

NOTE 4 Solicitation is the active seeking or requesting applications from organizations.

NOTE 5 strategies can include advertisements and features in print and electronic media, conferences, workshops and launches among others.

NOTE 6 The organization can take advantage of co-sponsored forums such as workshops, conferences and high profile launches to engage stakeholders and market the sub grants programs.

8.2.2.5 The organization shall document the rationale for their solicitation strategy.

8.2.2.6 The organization shall have in place strategies to promote and advertise the sub grant programs.

NOTE 1 Strategies can include advertisements and features in print and electronic media, conferences, workshops and launches among others.

NOTE 2 The organization can take advantage of co-sponsored forums such as workshops, conferences and high profile launches to engage stakeholders and market the sub grants programs.

8.2.5 Sub grant Request for Applications (RFA)

8.2.3.5 The organization shall develop a request for application (RFA) that will contain all elements of the sub granting and make a public announcement that includes at least the following:

a) summary of the sub grants requirements;

b) eligibility criteria;

c) general description of the proposed sub grant scheme;

d) cost sharing element, required or suggested, as applicable;

e) budget submission forms;

f) instruction-guide for preparing the proposal, the place of submission and the process for seeking clarification, deadline for submission of application and the mode and place of submission;

g) technical and financial criteria which will be used to evaluate applications and to select successful applicants (this can be summarized);

h) expected reporting schedule;

i) expected duration or the period of performance

j) consequences of late submission;

k) point of contact, including name, title, address and phone number;

l) statement to the effect that the organization reserves the right to fund any or none of the applications submitted; and

s) other relevant information, such as frequently asked questions.

NOTE The announcement can also include the following

a) how the awards will be administered;

b) estimate of funds available and number of awards to be issued;

c) Supporting letter from the applicant's organization

d) reference to any required certification and representations;

e) due diligence process if applicant is successful

8.2.3.6 The request for applications shall be distributed to all interested organizations and a list of the organizations shall be maintained.

8.2.3.7 The organization shall have a proposal submission deadline for each round of applications which shall include a specific time and date after which submissions received after that time and date shall not be considered.

8.2.3.8 The organization shall have sub grant guidelines that outline the eligibility criteria for each of the sub grants scheme.

NOTE In general, only grants which meet the criteria are eligible for sub grant awards:

8.3 Sub grant screening and selection

8.3.1 The organization shall have a policy that specifies the language to be used for all applications.

8.3.2 The organization shall have a policy for acknowledging all applications received in writing.

NOTE This can be an acknowledgement generated by a system

8.3.3 The organization shall have a policy in which all sub grant applications will be assessed on the basis of their technical and financial merits.

8.3.4 The organization shall have a policy on how to form an independent and competent technical review committee to carry out eligibility screening of the proposals.

8.3.5 The organization shall have a policy on how applications will be reviewed to confirm whether they meet the eligibility criteria for sub grants scheme.

8.3.6 The organization shall have a policy for notification of award to all applicants whose submissions are successful and those that were unsuccessful.

NOTE Only those applications that meet the criteria, are received by the deadline and are presented in the proposal format can be forwarded to the review committee for review and interviews. A list of eligible and ineligible applicants can be presented to the review committee together with their applications.

8.4 Due diligence of sub grantees

8.5.1 The organization shall have a policy for conducting due diligence on sub grantees which addresses, but not limited to, the following:

a) governance

b) risk management

c) grant management

d) financial management

e) human resource management; and

f) procurement; among others.

NOTE 1 Due diligence can occur prior to recommendation for funding, prior to award letter or post conditional award letter.

NOTE 2 Due diligence can be carried out in two stages.

NOTE 3 Due diligence can cover areas such as

8.5.2 The organization shall have documented information on selecting a competent due diligence team

8.5.3 The organization shall have in place an approved due diligence tool or framework that will be used in conducting sub grantee due diligence.

NOTE Organization can choose to adopt the Good Financial Grant Practice assessment tool for conducting grantee or sub grantee due diligence.

8.5.4 The organization shall have documented information on the due diligence report that captures all the issues identified during the assessment

NOTE All the due diligence team members can sign off the due diligence report.

8.5 Sub grants award

8.5.5 The sub grant budget shall include funding elements, which are allowable in accordance with sub grant scheme cost guidelines.

NOTE An allocation for administration and management of the sub grant can be considered and where applicable negotiated as grantors allow.

8.5.6 Where the organization is co-funding a project, the sub grants items to be funded by the organization shall be clearly identified and costed.

NOTE Excluded items can also be clearly identified and listed in the sub grant agreement.

8.5.7 The organization shall conduct an orientation session for sub grantees. The purpose of this orientation is to help the sub grantee understand:

a) The sub grants terms and conditions;

b) Project management: Planning and budgeting, implementation and monitoring own performance;

c) Technical and financial reporting schedule and guidelines;

d) Procurement guidelines;

e) Monitoring and evaluation of performance once grants are disbursed; and

f) Knowledge management including considerations for communication.

NOTE Orientation session can be conducted via electronic media

8.5.8 The organization shall sign a sub grant agreement detailing the grant terms and conditions of the grant with all its sub grantees. Where applicable, the grant conditions will include compliance with the relevant primary grantors grant conditions.

8.5.9 The organization shall maintain an updated sub grants register.

8.6 Sub grants implementation

8.6.1 The organization shall have a policy on the criteria for making the initial 'disbursement' to a sub grantee and how exceptions shall be handled.

NOTE Subsequent disbursements can be based on the satisfactory performance of the sub grant, milestones or KPIs achieved among others.

8.6.2 The organization shall include in the sub grant conditions that it reserves the right to free and unrestricted access to project and sub grant information relating to all funded sub grants, including documents evidencing the use of sub grant funds.

8.6.3 The organization shall have a policy for post award monitoring.

NOTE 1 Overall, post award monitoring can be undertaken through:

a) field visits to sub grantees, where appropriate

b) review of periodic programme management, technical, procurement and financial management of the sub grant; and

c) project review meetings/workshops.

NOTE 2 The purpose of the monitoring is to assess level of achievement of objectives as set out in the implementation plan and sub grant agreement, document lessons learnt, identify challenges faced in implementation and seek ways of overcoming them.

8.6.4 The organization shall have documented information on reporting that includes the nature and period of reporting for both technical and financial aspects of the sub grant that is in line with ultimate funder grant conditions.

NOTE 1 The reports can include:

a) programmatic narrative reports

b) key performance indicators (KPIs)

c) financial report including budgets against actual expenditure; and

d) supporting documentation and information as requested by the organization.

NOTE 2 The policy can include aligning the reporting to the primary grantors grant conditions.

8.6.5 The organization shall have a policy for review of programmatic and financial reports.

NOTE 1 Reviewed reports can be communicated with sub grantees and action points tracked.

NOTE 2 A consolidated review report can be presented to the governance committee on a periodic basis.

8.7 Sub grant programme evaluation

8.7.1 The organization shall have a policy on sub grants evaluation. Sub grants shall be evaluated on the basis of their contribution to the defined objectives in accordance with monitoring and evaluation plan in the sub grant agreement.

NOTE 1 Organization can draft terms of reference for evaluation and can contract independent evaluators to carry out the evaluations.

NOTE 2 The organization can conduct both interim and/or end term evaluations to sub grantees.

Propose new clause as follows: The organization shall have documented information that includes at least the following:

a) criteria for when a sub grant is terminated early

NOTE Termination of a subgrant can occur under the following circumstances:

a) the primary grantor reduces or terminates the organization's grant
b) the subgrant objectives can no longer be achieved due to subgrantee performance or external, uncontrollable factors (e.g., no-fault termination);
c) actions or behaviors that negatively affect the organization's or programme's reputation. This can include proven instances of fraud.

b) decision making for early termination versus capacity strengthening activity is required.
c) communication plan that includes the timing of when to consult, inform and final decision communicated with the subgrantee

8.8 Sub grants close out

8.8.1 The organization shall have a policy on planning for the close out of sub grants to ensure expenditures charged to the grant are within the grant conditions and reported. The policy shall include criteria for when a no cost extension shall be requested from grantors.

NOTE 1 Activities for planning close out of sub grants can include administrative matters (such as final accounting and reporting) and 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 grant conditions. Organizations can contact grantors to negotiate funding for post end date liabilities such as student fees.

8.8.2 The organization shall have a policy on unspent cash assets as well as unspent noncash assets which shall be in compliance with funders 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 unspent noncash assets, the policy 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 sub grantee to the grantor organization; or

d) disposal of the assets by selling and the proceeds used for furtherance of organizations objectives.

8.8.3 The organization shall have a policy on last disbursement date for anticipated closures that is in compliance with funder conditions.

NOTE This can include negotiations with funders for an approved grant closure budget or negotiations for no cost extension among others:

8.8.4 The organization shall have a policy on end of grant/sub grant reporting. Reports shall cover both programmatic and financial aspects of the grant/sub grant and period by which such reports are expected

8.8.5 The organization shall have a policy on retention of all records relating to grants and sub grants and will preserve all records with respect to its grant making including the deliberations of all grant selection and award procedures and grant administration until closure.

8.9 Sub grant feedback from stakeholders

8.9.1 The organization shall have a policy on how it will receive, respond and record feedback from sub grantees.

NOTE 1 All feedback received from applicants, grantees and other stakeholders, as well as the response/follow-up provided by the organization can be recorded (stored) in the relevant sub grants register.

NOTE 2 The organization can have a policy on handling disagreements and disputes including proper storage/filing of correspondences and escalation mechanisms.

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 are 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

To provide further guidance to grantors and grantees as to which tier 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 bronze, silver, gold and platinum levels 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 DARS 1651-1 and the four pillars of good financial grant management

Pillars	Requirements and activities
Iinternal controls	Iinternal 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

Bibliography

[1] OECD (2009), OECD Principles for Integrity in Public Procurement. Paris, France: OECD Publishing. available at www.cambridg e.org /9780521870733 [20 November 2017].

[2] Thai, Khi V. (Ed.) (2009), International Handbook of Public Procurement. Boca Raton, FL, USA: CRC Press. available at http://sate.gr/nea/international%20handbook%20of%20Public%20Procurement.pdf [2 September 2015].

[3] UN-ODC (2004), United Nations Convention Against Corruption. New York, NY, USA: United Nations Office on Drugs and Crime (UN-ODC). available at https://www.unodc.org/documents/brussels/UN_Convention_Against_Corruption.pdf [20 November 2017].

[4] ISO 37001, *Anti-bribery management systems*

[5] ISO 31000, *Risk management — Principles and guidelines*

[6] ISO 9000, *Quality management systems — Fundamentals and vocabulary*

[7] ISO 21500, *Guidance on project management*

The Bibliography lists, for information, those documents which are cited informatively in the document, as well as other information resources.

The Bibliography is an informative element. It shall not contain requirements, permissions or recommendations.

The Bibliography is a conditional element. Its inclusion is dependent on whether informative references are present in the document.

The Bibliography shall not have a clause number. It may be subdivided in order to group the referenced documents under descriptive headings. Such headings shall not be numbered. Referenced documents and information resources listed may be numbered to simplify cross referencing.

A Bibliography, if present, shall appear after the last annex.

Referenced documents and information resources listed in the bibliography can be dated or undated.

