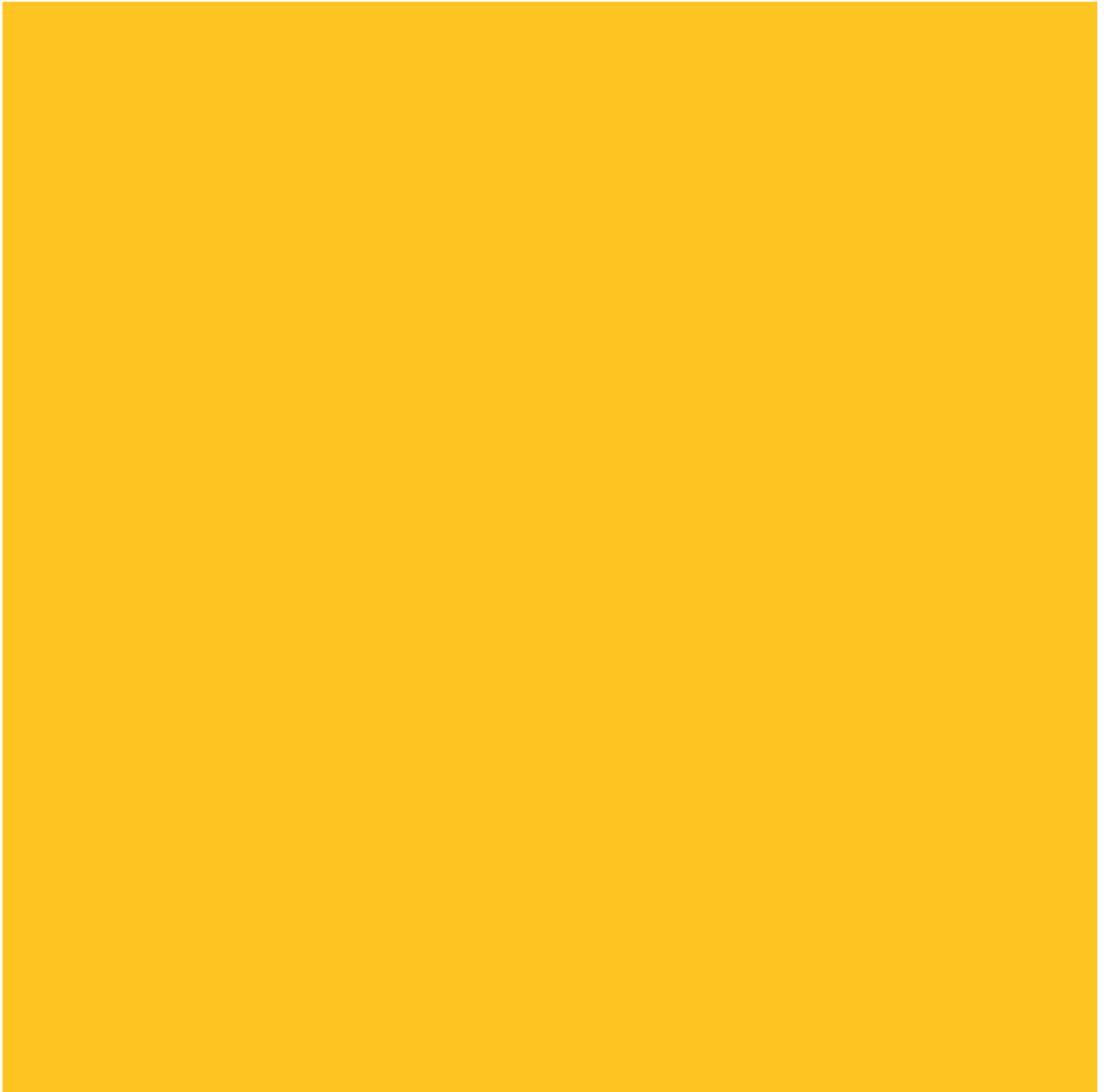


Guidelines for planning, reporting and audit



Content

General	3
Annual Review Meeting	3
Annual Progress Report.....	5
Annual Work Plan.....	7
Financial Reports.....	7
Completion report	9
Audit	9

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Sida's guidelines for planning, reporting and audit

Project and Programme support

General

These guidelines are applicable for the preparation of reports and work plans and auditing of projects and programmes in Swedish Development Co-operation. They are not applicable for so-called "Sector Support Programmes".

The Agreements between Sweden (or Sida) and implementing entities shall include articles on planning, review and reporting as well as auditing. The articles shall state when various reports shall be submitted, meetings held and so forth.

The purpose of these guidelines is to provide guidance on the application of the clauses in these Agreements.

There is a distinction between "Progress (Narrative) Reporting" and "Financial Reporting". The Financial Reports are based on the accounting system and the annual financial report is subject to audit.

For Sida the purpose of the two types of reports are different. The financial control of Sida is based on the financial report. The assessment of progress and impact compared to plan and to resource utilisation is based on the progress report.

Annual Review Meeting

Co-ordination and planning

The Annual Review Meeting should review the Annual reports of the past year and approve the Work Plan for the coming year. However, there is a dilemma since the Work Plan preferably should be approved before the end of the current year, while the Annual Reports are not ready until January-February and the audited Annual Financial Report even later. It is therefore hard to find an ideal time for the Annual Review Meeting and since Sida staff is responsible for several programmes it is also necessary to spread the meetings in time. The following alternatives are available:

- I. *Annual Review Meeting in late November or in December.* In this alternative, the meeting is timely for the discussion of the Draft Work Plan and the budget for the following year but will be based on Progress Reports and Financial Reports for the period up to end of the third quarter and prognosis for the rest of the year. These reports need to be more comprehensive than normal quarterly reports and should be available well ahead of meeting.

The Annual Reports will be commented by Sida, when they are finalised.

II. Annual Review meeting in February-March. All documents will be available but it is late to discuss and revise the Work Plan and Budget. In this alternative the programme will operate with a preliminary Work Plan and Budget during the first quarter.

Sometimes the fiscal year does not correspond to the calendar year. The above alternatives still apply, but the months will change.

The Specific Agreement states when the Annual Meeting will take place and documents shall be presented.

Agenda for the annual review meeting

The Agenda for the Annual Review Meeting will depend on the circumstances in each case. However the following items shall normally be included:

- agreement on Agenda and how to proceed with minutes.
- review of progress based on the *Draft Annual Progress Report* presented to Sida ahead of the meeting in accordance with the Specific Agreement. Agreement on modifications to introduce and deadline for submission of the final report.
- review of the *Annual Financial Report* (if available at the time of the meeting). Otherwise the meeting will have to rely on preliminary information. Agreement on modifications to introduce and deadline for submission of the final report.
- review of the compliance with conditions in the Agreement
- review of the compliance with the Agreed Minutes from the previous Annual Meeting.
- review of the compliance with the Management Letter from the Auditor and the Management Response
- review and approval of the *Draft Annual Work Plan and Budget* presented to Sida ahead of the meeting. Agreement on modifications to introduce and deadline for presentation of the final document.
- expected disbursement(s) from Sida during the forthcoming year.
- presentation and discussion of problems, obstacles and risks hampering the implementation including external and internal factors.
Proposed corrective measures and, if needed, revised targets.
- crosscutting issues – discussion of how themes like gender, HIV/AIDS, poverty, environment, human rights and so forth are integrated and how efforts could be strengthened with a focus on the most critical issues in each individual case.
- review and assessment of the implementation capacity.
- planning for possible studies, evaluations and special audits and procedures for contracting of consultants and so forth.
- agreement on intermediate (e.g. quarterly) reporting and review meetings
- signing of the Agreed Minutes from the meeting.

Annual Progress Report

The Annual Progress Report shall present the actual implementation of the project/programme compared to the plan. This comparison shall include the activities, progress and results during the past year compared to the Annual Work Plan as well as the accumulated results compared to the targets for the entire project/programme according to the Project Document.

Most projects/programmes would have a LFA (Logical Framework Approach) matrix as part of the project document and the report should then follow the structure of the LFA matrix, i.e. reporting on the same activities, using the same indicators and reporting about the same external factors. Implementation rate shall be indicated with comments in case of deviation from plan.

When programmes are running over longer periods, it is not uncommon that the parties agree on changes of planned activities and targets during the course of the programme. When required such changes shall be reflected in an amendment to the Project Document. The progress report shall always include both the original targets and the revised ones.

Whenever possible, e.g. for indicators like “number of persons attended”, “number of units produced”, it is recommended to include graphs, showing planned and actual implementation over time. Pictures are also useful, but should be carefully selected in order to provide additional and valid information.

The report shall contain an analysis of the quality of the implementation and the impact of the project/programme on the objectives. Problems encountered shall be described and corrective actions taken or planned shall be explained. Possible external and internal risks that the project/ programme will not meet its objectives shall be discussed.

In some cases the geographical dimension of the project/programme is important, and results may vary from one area to another. The Annual Report shall include tables showing the implementation progress in each area even if the LFA does not do so. The reasons for geographical variation shall be analysed and measures to improve the situation in under-performing areas shall be discussed.

The report shall be concise. An executive summary, not more than 3–4 pages, shall focus on key factors, such as the overall accomplishment, major problems and risks and the actions taken to solve them. If there is an LFA, the follow-up tables based on the LFA will form an important section of the report. However, if the LFA tables are long and detailed, they could also be annexed in order to make the report more readable.

The following outline is not a fixed format, but could serve as a guide when drafting the report.

Outline contents of the Annual Progress Report

1. Contents, list of abbreviations, map(s) and background facts, highlight events of the year.
2. Executive summary. Maximum 4 pages.
3. Background. Background of the programme not exceeding 1 page. For non-informed readers.
4. Sector development. Major events, political, legislative and economic developments, which are relevant for the project/programme, other donor initiatives etc. This section should be brief, and give a general picture. More details about the effects at project level and how to react will follow in the analytical part of the report.
5. Progress report. This section is a factual report, often based on the LFA matrix, recording what has and has not been achieved compared to plan. All data must be possible to verify and even subject to audit in some cases. Comments may be needed for better understanding, but the justification and explanation of deviations from plan as well as other analysis of implementation problems and possible counter-measures should not be dealt with here. If the LFA follow-up tables are annexed, the text in this section will refer to the annex and summarise the progress. The size of the section will vary, but normally it would be confined to tables, figures, graphs and limited comments.
6. Compliance with conditions and restrictions. The compliance with particular conditions and restrictions in Agreements or in Agreed Minutes shall be reported.
7. Organisation and administration. Report on the institutional situation and development during the year including co-operation with other authorities and partners.
8. Budget follow-up and cost efficiency. This section is a link between the narrative and the financial reporting. It should build on the information prepared for the financial report, not duplicate it. The Draft Annual Progress Report will often be prepared before the Annual Financial Report is finished and audited. In such cases preliminary figures and forecasts to the end of the year shall be used for the budget follow-up and for calculating cost efficiency indicators. In the Final Annual Report such preliminary figures shall be replaced with the actual ones. The Final Annual Progress Report and the Final Annual Financial Report shall always be consistent.

The Parties should agree at an early stage, e.g. at a quarterly meeting on a set of relevant cost efficiency indicators for the project/programme. A typical indicator is "cost per unit". A useful indicator of progress (planned and implemented) is "Expenditure per month". It is also suitable for graphical presentation. Both cost and progress indicators are needed. Low unit costs are not interesting if progress is slow and fast progress at the price of high unit costs is also inefficient.
9. Analysis and proposals. The section will identify success and failure and discuss major problems, risks and bottlenecks. Deviations from plan should be explained and actions to resolve possible problems described. The implementation shall be assessed both in quantitative and qualitative terms. The impact of external factors shall be described and possible future risks identified together with proposals on how to reduce such risks. Finally the impact on the objectives of the project/programme shall be analysed.

Based on the analysis the report may include proposals on changes of the programme as it is defined in the Project Document. Such proposals shall then be discussed at the Annual Review Meeting and if the parties agree on changes it shall be recorded in the Agreed Minutes. Major changes, however may require an Addendum to the Agreement.

Annual Work Plan

The *Annual Work Plan* is the *Plan of Operations for the forthcoming year*. It is primarily a tool for project management and shall be prepared for that purpose and not because it is required by Sida. However it also constitutes an instrument for Sida's monitoring. The work plan shall present the planned activities, implementation time frame and budget for the year. Quantitative and qualitative targets for the year shall be stated with indicators for measuring achievements. For projects/programmes with an LFA, the Work Plan shall be based on the LFA. The results of the previous year as reported and analysed in the Annual Progress Report and in the budget follow-up shall be fully taken into consideration when preparing the plan and the budget.

All persons who are involved in the implementation of the project/programme should be able to read, understand and use the Work Plan. It is particularly important that it is designed in a way that facilitates the follow up of progress and outcome in relation to the plan. The format for follow-up of progress and budget on a regular, e.g. quarterly basis shall be annexed to the work plan.

Financial Reports

The following guidelines are mainly intended for the *Annual Financial Report*, although the principles are valid for all financial reports (FR). The Parties in accordance with the Agreement shall agree on format and routine for intermediate reports. Usually such FR will be on a quarterly basis.

Reference is made to the DAC Good Practice Paper No. 5 - Financial Reporting & Auditing and the relevant Technical Notes also available on internet (www.oecd.org/dac/donorpractices)

Principles

The purpose of FR is to account for the use of resources entrusted to the entity.

The FR shall be based on information from the accounting system and consistent with information in progress reports and with project documents, work plans and similar agreed documents governing the project/programme. Even if the budget follow-up has a different structure than the accounts, the information must be possible to verify through the accounting system.

The FR shall usually be expressed in local currency. The average exchange rate for SEK, during the reporting period shall be indicated. The use of other currencies (USD, SEK or a combination) may be agreed in particular cases and should then be stated in the Agreement or in Agreed Minutes

The FR shall be *reliable*, i.e. free from material error and bias, *complete* in all material respects and *faithfully represent* the financial performance.

Comparability must be provided, allowing users to compare the financial information through time.

The information provided in FR must be readily *understandable* by reasonably informed and interested users.

The FR shall be subject to the internal control systems and shall be *audited* by an external, independent and qualified auditor as stated in the Agreement.

Contents of Financial Reports

The complete FR shall include reporting on *revenue and expenditure, budget follow-up, statement of financial position (or balance sheet if relevant)* and *notes* to the financial reporting.

The FR shall include all transactions relevant to the Agreement unless otherwise agreed. To enable the recipient to include also transactions performed directly by the donor, Sida and other donors shall regularly (e.g. quarterly) submit a financial report covering such transactions.

If the project/programme is financed from several sources, each contribution shall be reported. The utilisation of the different contributions shall be specified when funds are earmarked or given with limitations as to their use. The adherence to agreed restrictions in the utilisation of the Swedish contribution (if any) shall be reported and possible to verify. (This information may be provided in a note)

Interests earned shall be reported and interests from Swedish funds shall be specified (or calculated as a share of total interests). Interests shall be used for project activities in accordance with the agreement and in a way that shall be agreed by the parties. The report may include a proposal in this respect.

The Statement of Financial Position (or the Balance Sheet) shall, when applicable, specify non-used contributions from Sweden and other donors.

The report shall include a comparison with the budgeted amounts for the reporting period. Annual reports (and other reports as agreed) shall also include accumulated amounts compared with the total project/programme budget. The budget follow-up shall use a format with separate columns for budgeted and actual amounts and a column showing variances between the budget and actual.

The structure of the financial information in the budget follow-up must be coherent with the structure of information in the project document, work plans and progress reports. This means that the same terms, groupings and so forth should be used. Often the LFA structure will provide the basis. The structure may vary due to the nature of the project/programme. In the budget follow-up costs are normally related to activities, but a geographic division is sometimes also required. The implementing agency/department shall at an early stage (normally within three months) propose a format for the FR to be discussed and agreed at the first quarterly meeting.

The presentation and classification of items in the FR should be retained from one period to the next unless a significant change in the operations require a change in presentation and the change is required or approved by the external auditor. When such changes are made the entity shall reclassify its comparative information to ensure comparability between current and previous periods. The change shall be explained in a note.

Contents of the Financial Report

- Statement of revenue and expenditure (incl. comparison with previous year in the case of a programme, and related to accumulated amounts in the case of a project)
- Notes (e.g. on accounting methods and compliance with conditions)
- Budget follow-up
- Statement of Financial Position or Balance Sheet (when applicable)

Completion report

The Completion Report is a consolidated report covering the entire Project or Programme as defined in the Agreement. It includes both narrative and financial reporting although the two may form separate parts of the report. The guidelines for annual progress and financial reports apply in principle also for the completion report.

The Completion Report may replace the annual progress and financial reports for the last year in which case the report will have to cover both the year and the total period. Alternatively the annual reports are submitted as usual and a separate completion report made.

The parties should agree at the preceding annual review meeting on how to proceed with the completion report.

Audit

Audits by independent and qualified auditors provide assurance on the reliability of financial reports and that aid is used for intended and agreed purposes.

The audit shall be carried out in accordance with international standards, i.e. INTOSAI (International Organisation of Supreme Audit Institutions) for the public sector and ISA (International Standards for Auditing published by the International Federation of Accountants, IFAC) for the private sector.

A country's Supreme Audit Institution (SAI) has the responsibility to audit all accounts of the country's government. Sida accepts that a SAI is responsible for audit of Sida funds, provided that the audit competence and capacity are of an acceptable standard.

If a SAI engages private sector auditors, or if the Parties to the Agreement agree that the implementing authority engage a private sector auditor directly, such auditors must be of acceptable quality. DAC's Technical Guidance Note 6 provides a systematic questionnaire to determine the quality of an auditing firm and Note 8 specifies the qualifications of an auditor.

Draft Terms of Reference for external auditors shall normally be agreed during project preparation. They should include a description of the project/programme, the implementing agency, the accounting standards being followed, the reporting requirements, the audit scope, the coverage of the management letter and, where applicable, the qualification of the auditor. DAC's Technical Guidance Note 7 provides a specimen Terms of Reference.

For further reference on audit see DAC Good Practice Paper No 5 on Financial Reporting & Auditing and the accompanying Technical Guidance Notes nos. 6, 7, 8 and 9.

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.



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