

Financial Handbook 2008



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Welcome to the new Financial Handbook

The financial handbook has been revised. Some chapters have been excluded and new chapters have been established.

The financial handbook will be distributed once a year in the future in this printed version, but the most recent information will be published at the intranet.

Changes and additions will be marked with a line in the margin from next year.

The financial handbook has two purposes;

1. To give the staff at Sida, at the headquarter in Stockholm as well as at the embassies, guidance regarding economic administrative routines.
2. To gather Sida's principles of accounting.

The principles set forth in this financial handbook are to be applied by all those Sida employees for whom they are intended. It is also intended to be used as a reference book and as training material.

Stockholm April 2008
Anna Fogelberg Wik

1. Accounts receivable

A receivable arises when Sida sends an invoice to a customer for services performed or goods supplied. Other examples of receivables in the accounts receivable ledger are claims for refunds and invoicing of expenditure to the Ministry for Foreign Affairs.

When EVU/Ekonomi prepares an invoice, documentation and a completed KR form are needed. All invoices sent from Sida must be registered in the accounts receivable ledger and be marked with a unique serial number.

At Sida, it is EVU/Ekonomi and Sida Härnösand that can issue invoices.

In those cases where Sida is entitled to order a grant from an organisation, no invoice is prepared.

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Invoice documentation

Before an invoice can be prepared, invoice documentation and a KR form must be produced.

This is to include:

- A signed letter to the recipient of the invoice that is to be enclosed with the invoice
- Name and full address of the recipient
- Amount in SEK
- The KR form, approved and with account coding filled in.

The KR form is to be prepared, signed and attached to the invoice documentation. This is to be filled in, supplemented with the account to which the revenue is to be credited (entered as credit), and the correct account coding thread.

Invoices to be sent to another *public authority* are to include the applicable *counterpart code* for the authority in question entered in the account specification field.

The person signing the KR form is to be the person with the right to use the invoiced revenue.

The person preparing the invoice documentation is responsible for checking whether VAT is to be levied on the invoiced sum. If the invoice is to be sent to another country, Sida's VAT number is to be included. See the VAT chapter.

In those cases Sida is entitled to order a grant from an organisation, no invoice is prepared. In such cases, an order is prepared.

Administrative procedure

- The division/department prepares and approves the invoice documentation.
- The invoice is printed out and registered in the accounts receivable ledger at EVU/Ekonomi.
- When the invoice is registered in the accounts receivable ledger, a receivable from the invoice recipient appears in the financial system. The bookkeeping account stated on the KR form is credited.
- The invoice, in original, and accompanying letter, plus any other documentation, is sent to the recipient.
- Sida applies a 30-day payment period.

When the payment has reached Sida's post giro account, the receivable is settled in the accounts receivable ledger. Read more about *payments received* in the chapter "Payments received/refunds".

- EVU/Ekonomi monitors that receivables are paid. If payment is not received, take reminder and debt collection measures.

Payment reminder letters, interest invoices and debt collection

If the invoice is not paid in time, a payment reminder is sent. EVU/Ekonomi sends the reminder when the payment is overdue. Penalty interest is charged retroactively, and is the Riksbank's reference interest rate + 8% (according to the Interest Act, 1975:63). If payment is still not made, the matter is referred to a debt recovery agency. Sida has an agreement with the debt recovery firm, Intrum-Justitia, for collection of unpaid invoices.

Interest when respite from payment has been granted

According to the Ordinance (1993:1138) on Management of State Receivables, interest is to be charged when respite from payment has been granted. If Sida allows credit, or grants respite from payment, interest is to be charged according to the interest rate that is set for each fiscal year by the Swedish National Debt Office (the state lending rate) plus two percentage points.

Doubtful receivables

When interim and annual reports are prepared, unpaid and overdue invoices are reviewed. Each receivable is individually assessed. Those deemed doubtful are posted to account no. 1190/1191 as value adjustment receivables. This evaluation and accounting transaction is only done in conjunction with the annual accounts, and is carried out by EVU/Ekonomi.

If it is deemed that doubtful receivables will not be paid, they are to be entered as bad debt losses. The bad debt loss is charged to the division/department to which the invoice applied.

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2. Advances

Advances are payments to suppliers and consultants for goods and services not yet delivered. The aim of advances is to satisfy a short-term need for liquid funds. As a general rule, Sida does not pay advances on consultancy fees and reimbursables.

As a rule, advances on payments to other government agencies should never be necessary. Government agencies have access to an interest-bearing account with a credit facility, and so do not need advances. The same applies to large companies.

Regardless of whether a payment for an advance is to be reported in an advance account or not, rigorous checks must always be in place to ensure that advances are settled and that suitable security is provided.

Advances of SEK 100,000 or more require authorisation from Sida's Head of Finance. In such cases, Sida requires some form of security as a guarantee for the advance.

Employees' travel expenses are to be primarily paid for with debit cards, and reimbursement is made when travel claims are settled. Where a debit card cannot be used, advances for expenditure or travel may be granted, but this is to be used restrictively.

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General information about advances to suppliers

Government agencies must manage cash efficiently. As a general rule, Sida must therefore be restrictive in paying advances. A possible alternative to advances could be to agree on regular invoicing throughout the assignment – invoicing on open account (instead of one final invoice). Invoicing on open account can be appropriate in large-scale projects. If the project is divided into stages, appropriation accounting can take place when the invoice is received, and advances avoided.

However, in exceptional cases advances may be granted for paying sub-contractors. The supplier must then request the advance when submitting the tender. The supplier must specify and justify the costs that need to be covered by an advance and state the final date of settlement.

When evaluating the tender, Sida must take into consideration the cost of paying an advance. The agreement must state that there will be an advance on payment, and how and when it is to be settled.

Sida assumes that even small-scale companies have access to operating capital and a certain amount of credit in the form of debit cards, for example. Consequently advances are not normally needed for hotel costs or daily allowances. Airline tickets are normally ordered through Sida's contracted travel agency, which then invoices Sida directly. Advances may be agreed for expenses, such as when organising seminars abroad. Advances may also be agreed for disproportionately high set-up costs, such as for vehicle purchase or similar. Advances must be settled within two months of payment. Regulations about advances apply, regardless of financing, development cooperation appropriations or administration appropriations.

As long as the advance remains on the books it must be specified in annual accounts by the officer/division responsible. Please refer to section "Bookkeeping and accounting" below.

Special regulations apply for payment of advances that are classified as grants disbursed. Please refer to "Grants disbursed in advance".

Advances to suppliers – amounts and limits

The size of an advance must be carefully considered. An unnecessarily large advance means that Sida is taking a greater risk and the supplier has less incentive to complete the assignment. The advance must only cover short-term liquidity needs. Advances for administrative overheads must be refused, or at least decreased in size.

Please note that advances in excess of SEK 100,000 require authorisation from the Head of Finance. In such cases Sida also requires that the supplier provide some form of security, e.g. a guarantee from a solvent parent company or insurance company, or a bank guarantee. The consultant should bear responsibility for any costs incurred by the provision of this guarantee.

Remember that a bank guarantee is a document of value that must be stored safely – in a safe or similar. The original must not be filed together with the payment documentation, but a copy must be attached to the payment documentation.

Standing advances

Situations may arise where advances to a supplier need to continue for longer than the two months stated above. In exceptional cases, Sida may decide on a standing advance that remains in place throughout the project period.

Requests for standing advances must be included in suppliers' tender documentation and must also be stated in the agreement with Sida. All standing advances require a decision from Sida's Head of Finance plus some form of security as above. The decision must state the reason for the standing advance, its amount and when it will be settled, as well as the form of security provided. As long as the advance remains on the books it must be specified in annual accounts by the officer/division responsible.

Grants disbursed in advance

A grant is sometimes disbursed before a project or equivalent is actually started up. The purpose may be to provide the recipient with some start-up capital. This type of payment is not regarded as an advance, and Sida is not to

report this as a receivable; instead it is to be entered as grants disbursed in Account Class 7. The reason for this is that Sida will not receive anything in return and can consequently have no claim on the recipient. Payments that are regarded as grants disbursed will not, therefore, be regarded as advances in the accounts.

Development cooperation provided in the form of grant disbursements or, in certain cases, transfer of goods or services, is classified in the accounts as transfers. Read more about this in the chapter on “Transfers” in the Finance Handbook.

Advances for travel

As a rule, no advances are to be paid to employees for travel or other expenses. The principal rule is that expenses incurred by employees whilst travelling or in service are to be paid using a debit card that Sida offers all its employees. Expenditure is reimbursed when the travel claim is settled. For further details, see “Business travel” in the Personnel Handbook.

If payment with the debit card is not possible, advances to employees may be approved. This can apply in countries where use of debit cards is difficult, or for expenditure for costs incurred at embassies/section offices. This type of advance is to be used restrictively.

Date for payment of advances

The following principles apply for dates for payment of advances.

- Payment date should be selected to minimise the government’s interest costs.
- Payment should not be made until such time as the recipient needs the funds.
- Payment should be made in portions, e.g. before, during and after implementation of operations.

Bookkeeping and accounting

Advances must be reported in the balance sheet in Account Group 138 without stating function and component; consequently, the amount of the advance is not debited to the contribution and settlement of appropriation does not take place. When advances are settled, the advance account is credited and the contribution is debited instead, which triggers settlement.

All officers/divisions with outstanding advances must specify these in all interim and annual reports. Copies of any security provided (as listed above) must be enclosed with the confirmation of advances to suppliers. Please refer to Sida’s Instructions for the Annual Report.

Settlement of advances to suppliers

As soon as the supplier/consultant has incurred expenditure for which it has received an advance, these must be reported in the next invoice to Sida. The invoiced amount must be reduced by the amount of the advance. The advance may also be settled against a list of disbursements. Advances must be settled within two months.

1. The most common method is via an invoice, where the reimbursable costs for which the advance was intended are deducted from the total. The total costs are debited as usual and the advance account is credited with the amount advanced.

2. An advance can also be settled by means of a list, provided by the supplier, showing the relevant costs. The advance is removed using a journal voucher (Account 138X/org/account spec) and the relevant cost account with fu/org/component is debited. This works providing the reported costs correspond with the amount paid out as an advance.

Account coding examples

1a Advance to supplier

A supplier is given an advance of SEK 10,000

D/C	Account	Org	Fu	Comp	Acc. spec	Amount	Designation
D	138X	XXX			ABC	10,000	
C	PG-UT					10,000	

1b Invoice received

Reimbursable costs – SEK 11,000

Invoiced fee – SEK 39,000

Advance paid – SEK 10,000

Balance to pay – SEK 40,000

D/C	Account	Org	Fu	Comp	Acc. spec	Amount	Designation
C	138X	XXX			ABC	10,000	
D	7552	XXX	XX	XXXX		11,000	
D	7551	XXX	XX	XXXX		39,000	
C	PG-UT					40,000	

2a Advance to supplier

A supplier is given an advance of SEK 18 000

D/C	Account	Org	Fu	Comp	Acc. spec	Amount	Designation
D	138X	XXX			DEF	18 000	
C	PG-UT					18 000	

2b List received from supplier

List of costs

Reimbursable costs – SEK 12,000

Fee – SEK 6,000

Advance received – SEK 18,000

The list forms the accounting documentation and voucher.

Accounting example – account coding of RE form (inter-account transfer):

D/C	Account	Org	Fu	Comp	Acc. spec	Amount	Designation
C	138X	XXX			DEF	18,000	
D	7552	XXX	XX	XXXX		12,000	
D	7551	XXX	XX	XXXX		6,000	

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3. Annual Report

Sida prepares annual reports according to the Ordinance on Annual Reports and Budget (2000:605).

Before preparing the annual report, EVU/Ekonomi issues guidelines with a schedule showing when different activities are to be completed.

The agency is to submit an annual report to the government by 22 February for the most recently concluded financial year.

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General information about annual reports

The Ordinance on Annual Reports and Budget (2000:605) is the main ordinance that regulates how Sida's annual report is to be prepared. The Accounting Ordinance (2000:606) about agencies' accounting is also important in this context.

With respect to work with annual reports and interim reports, guidelines and time schedules are prepared internally for Sida prior to each occasion.

In conjunction with annual reports and interim reports, certain activities and accounting transactions, not done continuously through the year, are carried out that are specific to the annual accounts. Check in the guidelines or chart of accounts about how they are to be carried out for the occasion in question.

These are published on INSIDE under *Styrdokument/Ekonomi & PLUS/Anvisningar och exempelsamling*.

The chart of accounts, with guidelines, is found under *Styrdokument/Ekonomi & PLUS/Kontoplan*.

Financial accounting

Appropriation accounts are to show the outcome of the appropriations over which the agency has disposal rights, and the revenue headings that the agency reports against according to the letter of appropriations or other

government decision. The outcome is to be compared against allocated or distributed amount per appropriation or appropriation item and estimated amount per revenue heading. Deviations are to be analysed.

Reporting of authorisation

The appropriation accounts must also show the extent to which the agency, with support of a special allocated *authorisation* as described in Section 20 of the Appropriation Ordinance (1996:1189), ordered goods or services, or decided on grants, payment, loans, or similar that will result in expenditure during the following fiscal year.

Link in here how to take out alarm lists in conjunction with the annual accounts.

The appropriation accounts must also show how the agency has fulfilled other *financial conditions* placed by the government.

Statement of financial performance

The main purpose of the income statement is to

- show funds that have entered the operation as revenues,
- show the costs of this operation, and
- show the change in agency capital and the effect accrual accounting has had on this change.

Balance sheet

The balance sheet must, in summary, show the agency's total assets and liabilities, and capital, on the balance sheet date. Pledged assets and contingent liabilities are to be taken up as memorandum items.

A specification to the annual accounts is to be prepared for each summarised item in the balance sheet that is part of the annual reports, unless the item's composition is clearly shown by the rest of the accounts.

Additional information and notes

Additional information should be presented in the form of notes to the annual accounts documentation. Additional information does not always relate to a specific item in any of these documents. Some information is of a more general nature. This can be presented as notes in the introduction to the notes section. Notes of a general nature that can be required according to the regulations are:

- description of accounting principles,
- information about deviations from general financial administration regulations, which are decided by the government or stipulating authority,
- presentation and justification of deviations from general guidelines, etc,
- explanations for lack of correspondence between information in the statement of financial performance and the rest of the annual report, and
- remuneration, etc. to members of the board and senior executives.

Statement of financial performance/Report on outcome

The report on outcome is part of Sida's annual report to the government.

The purpose of the report on outcome is to show and comment on the operation's results in relation to the goals and the feedback requirements specified in the letter of appropriations or other government decisions. (Sida's result is the performance/outputs of the development cooperation

contributions, and effects on short-term and medium-term outcome and long-term impact. This applies to both direct and indirect, intended and unintended, and positive and negative results.)

The Ordinance on Annual Reports and Budget (2000:605) regulates the report. Significant external and internal conditions that influenced the result are to be shown. The information in the report on outcome is to cover the three most recent financial years and must be comparable over time. In other cases, Sida must comment on and justify why this is not the case. The information in the report on outcome must be based on documented data and measuring methods.

The departments are responsible for coordinating and assuring the quality of the texts for which they are responsible according to the Director General's decision, where the tasks given in the letter of appropriations are delegated. EVU/Ekonomi is responsible for coordinating and assuring the quality of the entire process, so that Sida fulfils the external requirements. A contact is appointed for the coordination work at the department. At EVU/Ekonomi there is a process group. The work is to be done according to the schedule prepared by EVU/Ekonomi.

The process to create an annual report starts with the distribution of guidelines in September. EVU/Ekonomi holds an information meeting in October, after which EVU/Ekonomi has continuous contact with the contacts in the departments. Draft texts and documentation are to be submitted to EVU/Ekonomi at the start of December, and in January the final texts and documentation are to be ready. When the books are closed at the end of January, all texts are to be quality assured.

Guidelines and templates are available at *G:\PUBLIC\2008 REPORT ON OUTCOME (RESULTATREDOVISNING)*

Payments in conjunction with annual accounts

Requisitions for grants

For grant requisitions relating to disbursements in the accounting period, documentation for payment must be submitted to EVU/Ekonomi by a scheduled date before the accounting year-end. As grants are entered as cash, they must be disbursed in the period to which the annual accounts relate.

Grant requisitions received after this date are entered and the appropriation is settled in the following accounting period. The same applies for requisitions that are received during the current accounting period, but that are not to be disbursed until the following accounting period.

Suppliers' invoices

Suppliers' invoices that relate to the accounting period are to be entered by the date given in the schedule for the annual accounts. The date is usually a few days before the cut-off date.

It is important that embassies/section offices send, as soon as possible, invoices that are to be paid in Stockholm.

For administration expenditure, Sida's accrual accounting regulations apply. These are described in the guidelines to the annual accounts.

Allocations to more than one year

In order to allocate revenues and expenditures to correct accounting periods in the income statement, the agency, as part of the year-end accounting, is to enter certain liability and receivable items. These consist of accrued revenues and expenditure, or pre-paid revenues and expenditure. Examples of expenditure allocated to more than one year

are holiday pay liabilities and other salary liabilities (accrued costs), accrued consultancy costs (accrued costs) and rents that entirely or partly relate to the following financial year (pre-paid cost).

When allocating revenue or expenditure to more than one year (with the exception of certain rents) in the annual accounts, two function codes are used that do not affect appropriation settlement:

Function 59 for development cooperation appropriation

Function 99 for administration appropriation

Function 59 must be used for allocation of expenditure or revenues normally coded with function code 20, and function 99 for costs or revenues that are normally coded with function 61 or 66.

The following are *allocated to more than one year*:

- Costs related to administration activities
- Rents invoiced in advance

Cut-off date

Government agencies have a common cut-off date. The cut-off date is 10 January for year-end, and 10 July for mid-year.

When invoices are received by the cut-off date, these are entered in the old financial year. An invoice between agencies that the issuing agency takes up in the annual accounts as a receivable from other agencies must arrive at the counterpart by the cut-off date.

Costs relating to purchases for which an invoice has not been received by the cut-off date are to be entered as cut-off items. This should primarily be done for invoices received after the cut-off date. If there is no invoice, the entry should be made using delivery notes or equivalent.

Conditional loans

In the annual accounts, the sum of outstanding loans is to be reconciled against the balance per account group in the ledger. Loans that are paid off or written down during the year will not be included in the following year's opening balance. Only loans with an outstanding balance at the year-end date will be brought forward to the following year. EVU/Ekonomi handles the transfer. As a basis for EVU/Ekonomi's registration of opening balance, the reconciliation template from the annual report is used. The conditional loans should be valued by EKN.

Co-financed projects

In conjunction with annual accounts, the financial position of the contributions is to be determined and shown, i.e. any receivables or liabilities Sida has in relation to co-financiers are entered as outstanding balances. This applies to contributions where Sida bears main responsibility for implementation and where other organisations together with Sida contribute with funding.

Formalia

Documentation for interim and annual reports is produced in accordance with guidelines applicable to the interim or annual report.

When preparing interim and annual reports, the head of department is specifically responsible for ensuring the following:

- that each division has personnel for the extra work tasks arising from interim and annual reports, and that decisions are taken to delegate responsibility in the absence of regular personnel.
- that any invoices received that have been incorrectly addressed to the department are immediately sent back to EVU/Ekonomi for correction by the organisational division.
- that outstanding advances are settled and minimised (this is to be done continuously during the year, but a special check is made in conjunction with interim and annual reports).
- that reconciliations, prepared in accordance with EVU/Ekonomi guidelines for interim and annual reports, are submitted.
- that all invoices relevant to the period are approved and are submitted to EVU/Ekonomi by the applicable date, in accordance with EVU/Ekonomi guidelines for interim and annual reports.
- that, in accordance with EVU/Ekonomi guidelines for interim and annual reports, documentation relating to accrual accounting is prepared, co-financed contributions are reported, contingent liabilities are reported (credit, loans, guarantees, etc), forecasts are correctly reported in PLUS, and that the right settlement account is linked to all contributions.

In addition, heads of department/division are specifically responsible for the following when annual accounts are being prepared:

In accordance with EVU/Ekonomi guidelines for annual reports,

- prepare documentation for specification of financial terms written in the letter of appropriations or other government decisions (of the type “Sida may use a maximum of SEK XX for)
- ensure that committed and non-committed reservations and outstanding commitments are correctly reported in PLUS through correct management of distributed agreement amounts, agreement periods, and contribution status.
- prepare statement of financial performance by operational area and region (the guidelines show which department is responsible for which operational area and region) and provide documentation for reporting as prescribed in the letter of appropriations.

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4. Appropriations

The primary financing forms for government agencies are appropriations from the government budget. This also applies to Sida.

Through the government budget, the Riksdag (Swedish Parliament) decides on the coming year's appropriation for each agency. When the government budget is adopted, the government decides annually the appropriations, appropriation items and amounts and authorisation frameworks that each agency will have at its disposal, and the financial terms that apply. These decisions are formulated in the agency's letter of appropriations.

Appropriations are divided into two categories, administration appropriations and development cooperation appropriations. Administration appropriations finance operational and administration costs, etc, while development cooperation appropriations are used to finance development cooperation activities.

Settlement against appropriations is the accounting transaction in which costs are charged to the appropriation. Every cost that Sida incurs is linked to a certain contribution, which in turn is linked to a certain appropriation.

The administration appropriation is settled when the expenditure arises, i.e. usually on receipt of an invoice. The development cooperation appropriation is settled when payment is made in relation to a requisition, i.e. on a cash basis. Invoices that are to be charged against the development cooperation appropriation are settled as expenditure, when the invoice is received.

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General information about appropriations

Sida is mainly financed through appropriations from the government budget. An administration appropriation is received for the agency's management and for running the operation. Several different development cooperation appropriations are received for development activities. They are often subdivided into appropriation items.

In addition to appropriations, Sida is also financed by grants. These grants (external funds) are usually received from other agencies or ministries as financing for special purposes. These grants comprise a small proportion of Sida's revenues.

Regulations governing appropriations and their reporting can be found in the Ordinance on Government Appropriations (1996:1189).

Appropriation settlement

Sida's accounting is based on approved contributions. When a contribution is approved and planned, a settlement account is linked to the contribution. This means that a link is set up between the contribution number and the account that corresponds to the appropriation/appropriation item that the contribution is to be charged against. Each contribution is given a unique number and one or more component numbers, which are accounting items.

When components are entered, a settlement is made against the appropriation. In practical terms, settlement is a bookkeeping transaction where revenue from the appropriation is credited and settlement from the appropriation is debited (one account for each appropriation/appropriation item). This is done automatically. See also the chapter, "Settlement Accounts". The applicable settlement account is shown in the chart of accounts.

Function codes and contributions

Stating the component number in the coding thread on an LR or RE form settles the appropriation that is linked to the contribution. The function code must also be stated.

The following function codes (FU codes) are to be used for appropriation settlement:

- Function 20 Development assistance activities
- Function 61 Administrative management, general
- Function 66 Administrative management, joint

When annual accounts are prepared, accrual accounting is applied, and no appropriation settlement is made as a rule, so other function codes are used.

In accrual accounting (with the exception of allocation for certain types of rent) two function codes that do not affect appropriation settlement must be used:

- Function 59 for development cooperation appropriations
- Function 99 for administration appropriations

Consequently, function 59 is to be used for accrual of expenditures or revenues that are normally account coded with function code 20 and function 99 for costs or revenues normally account coded with function codes 61 or 66.

Date of appropriation settlement

Regulations governing appropriations and their reporting can be found in the Ordinance on Government Appropriations (1996:1189).

Settlement against appropriation is generally made when the expenditure occurs, in practice when the goods or services have been received and the invoice arrives. The costs, however, are entered in the period when the goods or services are used. In preparing the annual accounts,

this means that the event is entered in the year when the goods or services were used even if Sida has not yet received an invoice. This procedure is known as accrual accounting.

However, expenditures classified as transfers are classified according to the principle of cash accounting, i.e. entered when payment is made, in cases where the payments are based on decisions about contributions and a formal requisition has been received. Invoices received for goods and services that are classified as transfers, and administration expenditures, are settled against appropriations according to the expenditure principle.

Accrual accounting means that costs and revenues allocated to the accounting period they belong to are not normally settled against appropriations. Sida has a threshold of at least SEK 100,000 before accrual accounting is applied.

Note that there are exceptions for allocation of rental costs (the right of use) to more than one period, and they are settled in the period in which they belong.

Summary, with examples, of when settlement is made:

Type of expenditure	Settlement against appropriation	When costs are entered
Grant (transfers)		
Requisition/decision	On payment	On payment
Supplier's invoice	The period in which the invoice arrives	The period in which the invoice arrives
Administration costs		
Supplier's invoice (excl. rents)	The period in which the invoice arrives	When the goods/services are used (accrual accounting)
Rents	The period in which the right to use begins	The part of the period of use that occurs during the year (accrual accounting)

Revenues arising from an appropriation will be settled against appropriations in the same way as expenditures.

Frame appropriations

All appropriations at Sida's disposal are *frame appropriations*. This is the most common type of appropriation.

A frame appropriation can be debited with a greater amount than that allocated to it if (limited) appropriation credit has been linked to the appropriation.

Unless the government decides otherwise, an agency may transfer unutilised funds to the following year (appropriation savings).

Distribution of appropriation – letter of appropriations

Through the government budget, the Riksdag (Swedish Parliament) decides on the coming year's appropriation for each agency. When the government budget is adopted, the government decides annually the appropriations, appropriation items and amounts and authorisation frameworks that each agency will have at its disposal, and the financial terms that apply. These decisions are formulated in the agency's *letter of appropriations*.

Sida's current letter of appropriations, and government decisions relating to appropriations, are available on the website of the Swedish National Financial Management Authority: www.esv.se under the heading Inkomstliggare (income ledger). Information can be searched by agency.

Financial conditions

In the letter of appropriations, the government states the financial conditions that will apply to different appropriation items. This can take the form of a ceiling for how much may be used for a specific purpose. The officer responsible for each financial condition must continually monitor outcome in relation to the financial condition. See the chapter on Financial Terms in the Finance Handbook.

Disposable funds

Disposable funds are defined as the sum of the appropriations that Sida has at its disposal in a year. This concept includes:

- Appropriation savings from the previous year
- Amount allocated in the letter of appropriations
- Allocated/withdrawn amounts through special Government decisions

Expenditure ceiling and limits

In June every year the Swedish Riksdag decides on a total *expenditure ceiling* for government spending in order to maintain state budget discipline, which is part of EU convergence requirements. The expenditure ceiling is defined as the maximum amount of government spending.

The expenditure ceiling per expenditure area is set in the Budget Bill and the Spring Fiscal Policy Bill. Each ministry can then distribute frameworks within the expenditure ceiling to its agencies through *expenditure limits*. Any expenditure limits are specified in the letter of appropriations or, in the event of changes during the year, through a government decision.

The departments are responsible for continually monitoring their appropriation outcomes, and for making assessments in the form of payment forecasts per appropriation item. In this way, the departments can ensure that payments are kept within the framework for disposable funds and any expenditure limits (available funds), and indicate changed needs in conjunction with authorisations.

Authorisations

For certain long-term contributions, decisions are taken to grant authorisation for several years. Because appropriations can only be allocated for one fiscal year at a time, Sida is also allocated *authorisation frames* in the letter of appropriations, enabling it to take decisions on agreements extending over several years.

The authorisation concerns the rights granted to Sida according to the letter of appropriations to enter into binding undertakings for future expenditures to be financed with future appropriation funds.

The authorisation is allocated per appropriation item and is delegated by the Director-General to heads of departments.

Planned expenditure for the current year is financed with distributed appropriations.

In the PLUS system, the contribution amount is distributed between the years as *distributed agreed amount*.

For the administration appropriation, no financial undertakings are registered as authorisations, because government agencies may enter into agreements about recruitments, rental of premises, etc. under a general authorisation.

Outstanding commitments

Outstanding commitments means how much of the authorisation frame has been utilised and decided. Decisions that are included in the authorisation frame must be covered by allocated future appropriations.

Outstanding commitments, i.e. signed and still valid agreements/contracts or decisions issued concerning grants (where there is no agreement) per appropriation item, etc. are undertakings minus total payments (irrespective of the year in which the financial decision states that the funds are to be charged to in the future), minus the committed appropriation saving.

Outstanding commitments show how much of the coming year's appropriation Sida has already tied up through existing agreements. The amount of the authorisation frame that is already tied up can be checked using Report P17, which is available in the planning reports in PLUS. This report is ordered per year and can be taken out per settlement account, contribution, or organisational division.

Forecasts of appropriation outcome

The letter of appropriations shows the date when Sida must submit forecasts of appropriation outcome to the government and the Swedish National Financial Management Authority. The Ministry for Foreign Affairs and departments submit forecasts to the relevant regional department and the Swedish National Financial Management Authority according to the latter's schedule. The schedule is available at G/PUBLIC.

Appropriation accounts and authorisation accounts

Distributed and utilised appropriations are to be reported in interim and annual accounts in a set structure called Appropriation Accounts. Authorisations and their utilisation are to be reported in a similar way in authorisation accounts. Feedback is to be given according to the division allocated to the authorised parties by the government.

Appropriation savings

Appropriation savings are the funds not utilised by an agency from its frame appropriations at the end of a fiscal year. Within certain limits, unutilised funds may be transferred to the following fiscal year.

Appropriation savings are reported per appropriation item.

Appropriation credit

Appropriation credit is the entitlement to exceed the fiscal year's disposable funds in a frame appropriation. Utilisation of appropriation credit reduces the following year's disposable appropriation by the corresponding amount. Appropriation credit is distributed per appropriation item. The amount of appropriation credit is shown in the year's letter of appropriations.

Withdrawal of appropriation

A government decision may withdraw an appropriation. Withdrawn appropriations relating to the administration appropriation, and appropriations that are managed in interest-bearing payment flows, are to be repaid to the account at the Swedish National Debt Office.

Contact: Anna Rinaldo ext 5454 or Elisabeth Larsson, ext. 5246

5. Audit

Audit is defined as a critical examination, assessment and statement concerning the accounting and financial management of an organisation. The concept may also include examining whether operations are carried out efficiently and whether they achieve their stated goals. This examination is to be carried out by an independent party, separate from the client and its sphere of stakeholders.

Auditors must be independent and qualified for their task, and must take clear, explicitly stated positions in their auditors' reports.

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Audit of Sida

Sida's operations are examined by its own internal audit function and by the Swedish National Audit Office. This agency is divided into two different professional groups: annual audit (economists) and performance audit (social scientists).

The annual audit examines annual reports, semi annual reports, routines for internal control, administration and compliance. The aim is to be able to express an opinion as to whether Sida's annual report is a fair and true representation of operations plus that the management is in compliance with applicable regulations and special decisions. The annual audit is paid for by the agency itself.

The performance audit is primarily aimed at situations connected to the state budget, implementation of government operations and other undertakings. A performance audit most often encompasses a political decision and is not always aimed at one agency only. Performance audits are not charged for.

The internal audit will, as mandated by Sida's Board, assist Sida in achieving its objectives by providing a systematic, structured approach to the examination, valuation and improved efficiency of its in-house controls and risk management.

According to Section 4 of the Government Agencies and Institutions Ordinance (2007:215), the agency management is to ensure that the agency exercises satisfactory internal financial management and audit.

Section 28 of the Government Agencies and Institutions Ordinance describes measures to be taken when the auditors' report includes negative comments about the annual report.

If the Swedish National Audit Office's report on the agency's annual report contains any negative comments, the agency is to present to the Government a description of measures the agency has taken or intends to take as a result of the comment. This shall be presented within one month of the date on which the auditors' report was submitted.

Sida's audits of development activities

In 2005, guidelines for auditing activities have been developed. The audit manual were updated in January 2008 due to the new agreement for auditing services. This manual is translated into English. The manual in Spanish is from 2005. Their aim is to facilitate for individuals who come into contact with audits during the course of their work. Guidance is provided on how to manage audit reporting, procurement of auditing services and how to draft a Terms of Reference. (Supporting functions/ Audit/Audit Manual)

Sida's policy is that all development cooperation is to be audited annually. Sida's model agreements state that the cooperation partner is responsible for ensuring that an external, qualified audit is implemented annually in each project. Sida retains the right, however, to follow up via audit or evaluation as Sida has been mandated by the Government of Sweden to monitor all activities financed by Sida. Sida is also responsible to those who benefit from development cooperation – poor people – to ensure that Sweden's contributions to the struggle against poverty are used as intended.

According to the manual entitled Sida at Work, Sida must ensure that operations are as cost-effective as possible. Consequently costs for controls and audits must be in reasonable proportion to the benefit they produce.

If any suspicions of abuse or corruption occur, Sida must implement a special, external audit of the contribution. If proof of abuse or corruption is provided by this audit, Sida must consider cancelling its support to the contribution. If suitable measures are not taken, the relevant agreement should be cancelled and Sida should demand repayment of funds.

Sida has procured auditors for financial and systems audits. For financial audits, Sida in Stockholm has call off contracts with Ernst & Young, Öhrlings PricewaterhouseCoopers and KPMG. Information concerning frame agreements, fees and contact names can be found in INSIDE. UMs are not bound by these frame agreements for any type of audit, but are entitled to utilise them. However, it could be cheaper and easier for a UM to use a local consultant who has both professional expertise and knowledge of the local culture.

If there are any questions concerning audits, if help is needed to draft a Terms of Reference or if interpretation of auditors' reports are needed, please contact EVU/Ekonomi.

Contact: Lotta Sandö, ext 5383

6. Co-financed projects

Co-financed projects are development cooperation projects financed by Sida in cooperation with external organisations, such as NORAD, FINNIDA, DANIDA or other international organisations.

Sida may, according to its mandate, allow its cooperation partners to bear responsibility for preparation, implementation and follow up of Swedish development cooperation projects or undertake these tasks itself.

The proportion of costs to be debited each organisation is established in an agreement.

Liabilities or receivables in relation to co-financiers are to be entered in annual accounts.

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Co-financed contributions – when Sida is lead agency

Reporting of payments from co-financiers

When Sida coordinates a co-financed development contribution programme, Sida itself initially pays all expenditures.

Payments from the co-financiers for their shares of the costs are to be reported as a cost reduction in account group 702 “Payments received co-financed contributions”, under each contribution’s component number. This payment is reported as a cost reduction because the funding received from a party other than a government agency for financing of contributions to a non-governmental recipient must only be reported via the balance sheet. The part that is financed by the co-financier must not therefore affect financial outcome.

Accounting example

D/K	Account	Org	Fu	Comp	Title
K	702X	XXX	20	XXXX	Payment, co-financed contributions
D	104XX				PG-in SCR

Check the account plan to see which payment account applies for the payment in question, so that it appears in the correct payment flow (interest or SCR).

Registration in PLUS

Agreement:

The totally agreed amount shall be registered (Sida's + as well as the other donors.)

The button co-financing:

Register the name of the co-financiers.

Contribution:

DAA – only Sidas part of the agreement shall be registered as Distributed Agreed Amount.

Components:

- enter one each for every donor
- No. 01 for Sida, the whole agreed amount shall be registered as forecast on this component = the total amount that will be paid for all donors
- No. 02, 03 etc., the co-financier's amount to be paid in shall be registered here with minus (= credit, the amount that shall be paid in to Sida).

Reporting of liabilities or receivables (in annual accounts)

Liabilities or receivables in relation to co-financiers are not entered continuously.

However, when interim and annual reports are prepared, these outstanding liabilities/receivables must be calculated and entered. Entering liabilities or receivables ensures that Sida's costs and revenues, plus the effect on the appropriation, will be reported correctly.

If Sida has a claim on a co-financier, then Sida has continuously reported costs that are too high and too much charged against appropriation. If Sida has a liability to a co-financier then Sida has continuously reported costs that are too low and, correspondingly, too little charged against appropriation.

In preparation of annual accounts, every division that is responsible for co-financed contributions must submit documentation to the EVU/ Ekonomi showing outstanding receivables or liabilities by contribution, component and co-financier.

The *documentation* must comprise a *reconciliation template* entitled "Samfin_insats.xls" or "co-financed contributions" (this template is updated before preparation of annual accounts and is available at G:/Public/ Ekonomi/Bokslutsmallar), the report "Account specification/General ledger", search route 50 (selected by relevant component and accounts 31 to 99). In addition, two journal vouchers must be submitted. For new contributions, a copy of the agreement and decision must be attached.

The total costs for the contribution to date are entered in the reconciliation template, as well as the total amount paid per co-financier plus the share or fixed amount that each co-financier is to contribute according to the agreement. The reconciliation template automatically calculates what proportion of the contribution's total costs is to be financed by each co-financier and compares this to payments received. The differ-

ence is reported in the annual accounts as a receivable (if payments received are less than costs) or a liability (if payments received exceed costs). The division concerned must attach a journal voucher for entering the receivable or liability carried forward by co-financier, and a journal voucher for reversing the record (which is done after the annual accounts).

Accounting example when Sida has a liability in relation to a cooperation partner

D/K	Account	Org	Fu	Comp	Title
K	2390				Liabilities co-financed contributions
D	702X	XXX	20	XXXX	Paid in co-financed contributions

Accounting example when Sida has a receivable in relation to a cooperation partner

D/K	Account	Org	Fu	Comp	Title
D	1220				Receivables, co-financed contributions
K	702X	XXX	20	XXXX	Paid in co-financed contributions

Division of funding for sub-projects – Sida's cooperation with countries such as Norway

In certain cases funding from a cooperation partner has to be divided between sub-projects. An example is cooperation concerning Mali, where Norway is co-financier.

Payments from the cooperation partner are continuously entered on account 702X in a general contribution. In the annual accounts, payments received must be distributed between specific contributions. Consequently, each specific contribution must have a component dedicated to the cooperation partner's funding.

Based on the agreement, the relevant division calculates the proportion of the costs of the specific contribution that the cooperation partner has paid. The relevant amount is then transferred from the general to the specific contribution.

Any remaining balance in the general contribution, after distribution to specific contributions, must be reported in the annual accounts as a receivable or a liability in relation to the co-financier in the same way as for other co-financed contributions.

Note that the distribution to specific contributions is not necessarily done when interim reports are being prepared. However the liability/receivable in relation to the cooperation partner is calculated using the reference number in the PLUS system.

Co-financed contributions – Sida is co-financier

In certain cases, Sida acts as co-financier. Such co-financed contributions are not associated with any specific accounting regulations, and Sida's disbursements are only reported as grants to the organisation in question. Because the disbursement is classified as a paid grant, no receivable or liability is entered.

Forecasts and delegation in co-financed contributions

Forecasts

Expenditure and income, including money from other donors, are usually entered for the same contribution (with underlying components),

so the contribution has a net financial result. Income reduces the result. This net result forms the basis of the forecast. Consequently, the party making the forecast for a co-financed contribution needs to take into account payments from other donors that have either already been received or that are expected during the year.

Example: SEK 100 million was paid out from contribution X, co-financed by Norway, as at 30 April. In February, Norway paid in SEK 10 million as its share of the contribution. In June, another payment is expected from Norway of SEK 50 million. In November, another payment will be made of SEK 20 million. The forecast for the contribution is therefore $100-10-50+20 = \text{SEK } 60 \text{ million}$.

NB. EVU recommends that *one person per department* (the controller) administers all the department's co-financed contributions, and ensures that country forecasts and contribution forecasts for countries/contributions affected take co-financing into account as above.

Delegation

For co-financed contributions, delegation decisions are prepared. As usual, Sida's share of the contribution is delegated as the right to use funds within the appropriation item/settlement account. At the same time, a right is delegated to pay out further funds corresponding to the co-financier's share.

Example: An agreement is made for a co-financed contribution to Zambia of SEK 100 million, of which Sweden/Sida will pay SEK 50 million and Norway SEK 50 million. AFRA delegates the right to use SEK 50 million of the Africa appropriation item to the embassy in Lusaka, which in turn can delegate the right to use funds to a sector department. In a separate decision (or in the same decision) *the right is delegated to charge the settlement account* with further payments of SEK 50 million (which is balanced by income from the co-financier).

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7. Contingent liabilities

Contingent liabilities are to be reported in the annual report.

Contingent liabilities are certain obligations that will probably not be triggered or obligations that are influenced by uncertain events in the future not totally within Sida's control. Such possible obligations are treated as contingent liabilities.

Examples of contingent liabilities within Sida are agreed, but not disbursed, conditional credits and contingencies.

Contingent liabilities are reported last on the balance sheet. As they are not included in the columns or totals, they are usually referred to as memorandum items.

Obligations that will probably be triggered up are treated as liabilities or provisions on Sida's balance sheet.

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Definition of contingent liabilities

Sida is to specify its outstanding contingent liabilities in both annual and interim accounts. The following are to be shown as contingent liabilities:

- Possible obligations that arise from events and whose occurrence is confirmed by one or more uncertain future events.
- Obligations that arise from events but that are not reported as liabilities or provisions because it is not likely that an outflow of resources will be required to satisfy the obligation.
- Obligations that arise from events but that are not reported as liabilities or provisions because the extent of the obligation cannot be calculated with sufficient accuracy. (Contingent liabilities arising as a result of an inability to calculate the amount of an obligation is extremely rare.)

The concept of contingent liabilities includes agreed, but not yet disbursed, loans plus contingencies.

Examples of contingent liabilities arising in Sida activities:

- Agreed, but not disbursed, conditional loans
- Agreed, but not disbursed, depreciation loans
- Disputes, such as whether or not a liability should be charged to the agency

Contingent liabilities in the accounts

Contingent liabilities are to be entered using the Excel template found under G: Public/Ekonomi/Bokslut/ Ansvarsförbindelse.xls. The amount entered is the sum that Sida is liable to pay in the worst case scenario, according to the agreement. When entering contingent liabilities, the probability of whether the disbursement is actually going to occur is not taken into account.

Documentation to confirm and explain the amount of the contingent liability must be attached to the specification.

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8. Credits and guarantees

Sida, for its own operations, uses two different types of credits - conditional credits and development credits. In both these cases the entire loan amount is lent from the development appropriations. There are different models for depreciation of repayments and for payment of interest and charges.

Sida's Credit Policy states guidelines for development credits. These include established conditions, sector areas and how to administer the credits.

Sida's guarantee operations mostly consist of development credit guarantees and independent guarantees.

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Conditional credits

The title conditional credit is used by Sida for credits with special conditions attached. If the project is successful, the loan must be repaid. If it does not go well, the loan can be written off. Certain conditions must be fulfilled or goals attained if the borrower is to pay interest and instalments or for the credit to be partially or totally written off. Conditional credits are normally granted to high risk operations which do not qualify for standard loans on the market. The development effect of the operations, however, must be assessed as so high that support should be provided, but not in the form of a grant. Undertakings are regulated in a credit agreement between Sida and the borrower. The administration of credits is carried out in different ways, sometimes Sida does it, sometimes Swedfund, AB Svensk Exportcredit or NUTEK (the Start South and Start East programmes).

According to Sida's Letter of Appropriations, it must be possible to report all budget funds allocated to Sida as ODA (Official Development Assistance) in statistics to DAC in the OECD. Interest and repayment conditions for a conditional credit must consequently be so designed that these funds can be reported as ODA according to the DAC directive for calculation of the "grant element" (currently at least 25%).

In February 2002, NUTEK took over the responsibility for the Start South and Start East programmes. NUTEK now bears responsibility for loan management including repayments and interest to income title for all loans granted since February 2002. Consequently Sida carries out settlement with appropriations only when the funds are transferred to NUTEK.

Agreed, but not paid out, conditional credits are reported as contingent liabilities as there is a high level of uncertainty as to whether these loans will be paid out and if so, when.

Conditional credits via Swedfund

According to agreement with Swedfund, reporting to Sida of payments received occurs when Sida so requests or when the loan repayment has been completed. Until reporting is carried out, Swedfund manages Sida's funds on their behalf in a separate bank account – one for each loan. As these funds can remain there for several years on behalf of Sida, they are regarded as a long term receivable.

When the books are closed, the amount in funds on behalf of Sida (or the liability Sida has) is rebooked as a claim on Swedfund. Sida relies on Swedfund's accounts, if Sida has a receivable this is debited to 1663, or credited to 1695. If Sida has a payable this is entered as a credit in 2397 and a debit in 7558 (accrual of costs).

Conditional credits via AB Svensk Exportcredit (AB SEK)

Sida is the lender for a number of conditional loans which are divided into a grant element and a repayable part. AB SEK administers these credits. Consequently the same type of design is used for conditional credits administered by AB SEK as is used for development credits which are also administered by AB SEK.

Sida's appropriations are debited when transfer is carried out to a special account that Sida holds at the Swedish National Debt Office. The transfer consists of the estimated amount that will be paid out to AB SEK for each year. The contra account for the appropriations debit is government capital. Repayments of these credits are returned to the government via income title which consequently zeros out the original affect on government capital.

Development credits

Development credits are primarily used for financing of medium load indebted low income countries who have limited access to market credits.

The credits are generally used to finance infrastructure inputs within e.g. energy, telecommunications and transport. Development credits may also be used for activities within the social field such as health care and basic infrastructure in poorer rural areas.

Undertakings are registered in a loan agreement with Sida as the lender and the Ministry for Finance in the relevant country as the borrower. The administration of these credits is managed by AB Svensk Exportcredit (AB SEK).

Sida's credit policy (Government decision from 2000) states the guidelines concerning development credits. These include the established conditions (including that they should normally be untied, i.e. the support concerns a project and there are no stipulations as to possible suppliers, that there must be Swedish interests in the sector, that the credit has a grant element of between 50%-80% (most common is 80%)), sector area (primarily infrastructure inputs within e.g. energy, telecom-

munications and transport, as well as the social sector such as health care and education) and how the administration is to be carried out.

Sida is the lender for a number of conditional loans which are divided into a grant element and a repayable part. AB SEK administers these credits. The part of development credits that is to be repaid is reported as a receivable in the Statement of Financial Position.

Sida's appropriations are debited when transfer is carried out to a special account that Sida holds at the Swedish National Debt Office. The transfer consists of the estimated amount that will be paid out to AB SEK for each year. The contra account for the appropriations debit is government capital. Repayments of these credits are returned to the government via income title which consequently zeros out the original affect on government capital.

Development credit guarantees

Sida takes the risk that borrowers will not fulfil their repayment undertakings by setting up an export credit guarantee after payment of a guarantee premium. The guarantee is made to the relevant Swedish supplier and bank. The guarantee is administered by Swedish Export Credits Guarantee Board (EKN).

Sida has an interest bearing account at the National Debt Office (RGK) intended to hold funds for market financing/subsidies. Sida transfers an amount to the RGK account the equivalent of the current difference between AB Svensk Exportcredit (AB SEK) interest on loans/market interest for a certain development credit and the subsidised lending interest. These amounts are collected in this account and become the equivalent to interest subsidies for development credits not yet regulated. From this account Sida pays AB SEK a quarterly amount which is the equivalent of the interest difference for the due date in question. When a credit is finalised i.e. when all payments have been made to the borrower and AB SEK has finished its market borrowing for the credit in question plus that all repayments and interest has been paid into AB SEK, the RGK account for this particular credit should stand at zero.

Contingent reserve

Before a decision concerning development credit, the Swedish Export Credits Guarantee Board (EKN) proposes a suitable premium to Sida. Sida takes a decision concerning this premium and it is paid by the lender to EKN. Sida may also subsidise a part of the premium through the development credit allocation. In that case, EKN invoices Sida.

The accumulated premiums form Sida's "contingent reserve" that is administered by EKN. They also manage any claims, recoveries etc. Claims may arise when borrowers do not repay on time and the guarantors, normally Swedish companies, are reimbursed from the contingency reserve. EKN then monitors recovery prospects.

Reporting from EKN occurs monthly to Sida via special statements of financial performance and position. These are then used as documentation for accounting by Sida.

The contingency reserve is valued by EKN. Its value is calculated considering the calculated value of outstanding claims and estimated risk of final losses from remaining commitments. The risk of concentration is also taken into consideration as commitments are dominated by a few countries only, consequently results are dependent on the assessment of these countries.

Independent guarantees

The government has mandated Sida to operate an experimental system of independent guarantees. The aim of this guarantee instrument is to, using relatively limited amounts of state funding and risk, mobilise commercial resources which otherwise would not be available to projects prioritised from a development point of view.

Sida itself administers these guarantees. Premiums that reflect the relevant risk are applied and established according to proposals from EKN.

Any losses will be taken from funds in the special interest bearing account at the National Debt Office. Funds for this purpose (up to MSEK 500) may be used from “old exchange rate profits” from the development credit guarantee system that is part of the interest bearing account for development credits (see above). EKN carried out a risk assessment of Sida’s outstanding commitments annually.

The interest revenues that arise from these interest bearing accounts are entered as “financial revenues” under the transfer section of the Statement of Financial Performance. Revenues from premiums for one-off guarantees are reported in the section “Other funds received for financing of development cooperation”.

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9. Disbursements and accounting relating to multilateral organisations

Cooperation programmes with UN organisations and other multilateral organisations are based on model agreements, i.e. agreement templates that have been agreed with UN organisations, etc. These agreements regulate, for example, agreement periods, payment procedures and accounting procedures.

The overall aim of the model agreements is to enable standard administrative processes, to maintain good cash management and, to facilitate monitoring of cooperation programmes with applicable UN organisations, etc.

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Efficient cash management

For Sida, efficient cash management means, for example, that disbursements to UN organisations, etc. should be divided up into suitable portions for disbursement through the agreement period. In addition, interest and project balances (i.e. unused funds at the end of the agreement period) must be entered separately and repaid to Sida.

The Department of Finance and Corporate Development is responsible for disbursement and reporting procedures relating to Sida's cooperation with UN agencies.

Disbursement procedures in the various model agreements vary somewhat. An overview and presentation of the different variations is given in the following section.

FAO, ILO, PAHO, WHO etc.

According to Sida's agreement templates for cooperation with certain major UN organisations, a collected disbursement request called Summary Report and Funds Request for all Sida-financed contributions is submitted to Sida twice annually – as at 31 December and 30 June respectively. On both these occasions the application must report actual expenditure up to and including 31 December or 30 June respectively, as well as providing a forecast for expenditure for the following nine-month

period. The total funding needed based on these components is compared to total funding received (i.e. paid out by Sida). Sida disburses the difference in two portions, giving a total of four disbursement occasions per year and per contribution. Funding applications are to be submitted to Sida in March and in July/August.

The disbursement request received from UN organisations in July/August, i.e. “as at 30 June”, includes forecasts for the period 1 July–31 March the following year and consequently impacts two fiscal years. Correct financial reporting in terms of distribution of expenditures by fiscal year is ensured through the following procedure. The entire amount applied for must be considered for each contribution.

For each contribution, disbursements will be divided into two portions according to anticipated utilisation for July–December and January–March respectively. If it is estimated that the entire amount applied for would be utilised during the July–December period, a brief explanation of this must be attached to the disbursement. Two LR forms are to be filled in for each project – one covering July–December (with deduction of any amount already paid out in response to the previous funding application), the other covering January–March of the following fiscal year. Both disbursements are submitted simultaneously to the Department of Finance and Corporate Development, which ensures that two disbursements are made per project, i.e. the LR for July–December is paid immediately and the LR for January–March is paid out at the beginning of January.

The disbursement request as at 31 December includes forecasts for 1 January–30 September and so affects two interim reports. Management and distribution is otherwise the same as described above. Disbursements must be divided according to estimated utilisation for the periods January–June and July–September respectively.

For WHO, the forecast period is six months with, in practice, one payment per semi-annual application.

Interest and project balances are reported annually to Sida’s Head of Finance. The Department of Finance and Corporate Development contacts appropriate divisions before entering project balances into relevant contribution numbers in PLUS. Interest income is accounted against a revenue heading as Sida is not allowed to keep the funds.

UNDP

According to the frame agreement with UNDP, a collected disbursement request – the Summary Report and Funds Request – is submitted to Sida once a year “as at 30 June”. This request covers all agreed ongoing contributions for the period up to and including 30 June the following year so, in terms of forecasting, the report covers a full year. According to the frame agreement, Sida will disburse quarterly to UNDP. However the payment pattern varies from contribution to contribution depending on factors such as the length of the agreement period, the amount, and the rate of fund utilisation. UNDP sends a supplementary disbursement request to Sida in November each year.

Summary Report and Funds Request is sent electronically and in the original hard copy to Sida’s Head of Finance. The Department of Finance and Corporate Development distributes the electronic version to all relevant Sida-S divisions and to the relevant embassies. In connection with this distribution, instructions and guidelines are issued ahead of approval and disbursement of the amount applied for. The Summary

Report and Funds Application “as at 30 June” and in November, with comments, is distributed via Sida’s intranet under Supporting functions/ Finance & Plus/UN reports.

Interest and project balances are reported back annually, but on different occasions, to Sida’s Head of Finance. Project balances are reported in Certified Financial Reports (as of 31 December), which are received in June/July and distributed via Sidas intranet as above. Divisions concerned are contacted by the Department of Finance and Corporate Development before entering project balances for relevant contribution numbers in PLUS.

UNICEF

Three agreement templates are applied for cooperation with UNICEF – one for thematic support, one for project support and one for humanitarian assistance. Disbursement routines according to the new templates are as follows.

For thematic and project support

As soon as an agreement is signed, UNICEF submits a disbursement request for the entire first year’s portion directly to the contracting division. At least 90% of the amount applied for is to be paid immediately to UNICEF. The remaining 10% is paid automatically, i.e. the same application serves as documentation for that year. If considered rational, for example if the agreement is entered into late in the year, the entire annual amount can be disbursed at once. The contracting division informs UNICEF of the amount paid and the date of the disbursement, via the following e-mail address:

cudfam@unicef.org with c.c. to the appropriate “programme funding officer”@unicef.org.

The disbursement request for the second year, etc. is included in the collected report, that UNICEF submits to Sida for the attention of Sida’s Head of Finance annually “in April and no later than June”. This collected report, covering all multi-year contributions financed by Sida, is distributed via Sida’s intranet under Supporting Functions/Finance & PLUS/UN-reports to all relevant Sida-S divisions and embassies for disbursement of the amount applied for. The division into 90% and 10% portions or the entire amount at once also applies for disbursements made according to the Annual Consolidated Request. The Department of Finance and Corporate Development informs UNICEF of the amount and date of the disbursements to the e-mail addresses as above.

For humanitarian support

As soon as an agreement is signed, UNICEF sends in a disbursement request for the entire amount directly to the contracting division, which disburses the entire amount at once in one payment. The relevant division sends information to UNICEF about the date of disbursement to the e-mail addresses as above.

Interest and project balances

UNICEF’s in-house financial regulations do not allow annual reporting of interest revenues to donors. Project balances are reported only for contributions in the project support category.

The World Bank

The World Bank submits disbursement requests directly to the contracting division. Funds are usually disbursed as soon as the agreement has been signed and the Bank has submitted a payment request "Call of Funds" for the first installment. The contracting division notifies the Bank about the disbursed amount in accordance with the agreement.

The Bank submits consolidated accounts of interest and project balances i.e. unused funds from completed contributions for all Sida-funded contributions to Sida's Head of Finance annually. The Department of Finance and Corporate Development contacts relevant divisions before recording reported project balances for relevant contribution numbers in PLUS..

Disbursements to the World Bank according to the Single Donor Framework Agreement

Disbursements to the World Bank are made on receipt of a "payment request" in accordance with (a) and (b) of the Article VI, Section 6.02. The "Request" is to be an *original document*.

Note that when funds are disbursed, the relevant contracting division is to inform the World Bank's Trust Funds Division. The instructions in Section 6.03 mean that a message is sent to tfremittadvice@worldbank.org or by fax number 1(202)6141315, stating the following:

- amount paid
- TF number and the title of the contribution
- date of payment.

The date of the payment is shown by the Planning System list P1:3, as soon as the Department of Finance and Corporate Development registers the payment. See the date after "Paid Yes At"; this is the date on which the money is accessible in the World Bank account (if payment is made via the SEK account at Danske Bank, Stockholm, which is most common).

Unused funds and interest income

The World Bank is to report "Investment income", which is the equivalent of *interest income*, under "Sweden Balance Account" (Article VIII, Section 8.01).

Administration costs ("Administrative Cost Recovery") are charged to the budget for each contribution (Section 8.02).

Unused funds remaining after the implementation of the contribution ("Unused Funds") are to be transferred to Sweden Balance Account. According to the agreement, this transaction is made "upon completion or termination of each project" (Section 8.03). Every contracting division monitors that the transaction occurs as soon as possible, i.e. immediately after the end of the contribution according to the date given in the contribution agreement ("Administration Agreement, Article 3").

The balance in the Sweden Balance Account "as at each December 31" is paid to Sida annually. *The Department of Finance and Corporate Development* monitors that the payment is made, that the World Bank provides information about the amount paid per finished contribution, and provides information about interest income. This report is only sent to The Department of Finance and Corporate Development.

The Department of Finance and Corporate Development is responsible for entering interest income (entered as revenue headings) and unused

contribution funds, which are credited to each contribution. When the items are entered, the applicable Sida division is informed of the amount entered.

The *financial information* per contribution that is prepared every quarter (see Article X, Section 10.01), according to the agreement, is available electronically via the address <https://clientconnection.worldbank.org>. The contracting division can use a password to access the information at any time if required. Contact Sida's World Bank Coordinator for further information about the password.

The *annual report* "Management Assertion together with an Attestation from the Bank's External Auditors", referred to in Section 10.02, is also available electronically as above. The report, called Single Audit Report, gives information at a general level, i.e. not by contribution.

Agreements can be made on reporting by contribution, according to section 10.03.

All communication regarding the frame agreement is between Sida/POM and the World Bank. All communication regarding the individual agreements is between the contracting division and the World Bank in accordance with addresses given in each individual Administration Agreement. See also Article 5, Communications, Administration Agreement.

When completing the Administration Agreement the Sida Contribution Number is stated, i.e. the contribution number according to PLUS, and the World Bank states a TF number for the contribution in question. It is important that these references are included in the agreement, and that these numbers are quoted in all communication between Sida and the Bank.

It is also important that the TF number is registered in PLUS as described in separate instructions.

Section 1.04 refers to "annual report ... and a final report", which mean narrative reports by contribution. The reports are directed in accordance with the information entered under Article 5, Communications.

Contact: Carin Rydberg, ext 5477

10. Disbursements/ Payments

For grant disbursements, the LR form for *requisitions* must be prepared. A requisition or letter is to be attached.

Payment for goods and services is via an invoice. An *LR form* for payment is to be prepared, and the *invoice* attached.

The department/division that receives a request/invoice is to carry out *checks before payment* is made.

Fees to consultants or individuals that cannot prove they are registered for corporation taxation are to be paid via the salary system.

Sida has two payment flows – an interest-bearing flow used for payments relating to the administration appropriation, and a non-interest-bearing flow used for other payments (development cooperation). The payment flow to be used is determined by the function code (FU) stated on the LR form.

Normally, The department for EVU/Ekonomi must have the payment documentation at least three working days before the payment date to ensure that the recipient in Sweden receives payment on time.

A *counterpart code* is to be given for payments to and from government agencies.

EVU/Ekonomi has produced a chequelist for payments, see appendix 5

Contact person	Ext.
Carin Rydberg	5477

General government payments

Government payments are regulated in the Ordinance on Government Agencies' Disbursements and Management of Funds (2006:1097). The regulations state that the agency must check that all payments are made to the correct recipient, with the correct amount at the right time. The agency is to document how this control.

In particular, the government agency must monitor that payments are not made too early and that payments are not received later than agreed in the payment terms.

The payment guidelines in the Financial Handbook are to ensure compliance with the regulatory framework.

According to Sida's letter of appropriations, payments are made when funding needs arise within the framework of applicable agreements and decisions. This means that payments are usually made in arrears. Payments in advance can only be made in exceptional cases. See the "Advances" chapter.

Requisitions – disbursement of grants (LR form)

Before grants can be disbursed, the recipient organisation must send a requisition for the applicable amount to Sida or to the embassy/section office.

The division receiving the requisition must check that the agreement terms are fulfilled. According to Sida's internal rules, there must be *valid agreements and decision* before payment can be made. Payment terms according to the agreement must also be fulfilled.

Check that:

- Financial reporting has been submitted on time.
- Narrative reporting has been submitted on time.
- Audit report and management letter have been submitted on time.
- Reporting is satisfactory.
- The information on which payment is based is correct.

All payments require a payment order comprising the LR form. There is a special LR form called Requisition for Disbursement of Grant. A requisition or letter with request for payment is to be submitted with this LR form (this comprises the payment documentation). Only one LR form is to be filled in per disbursement. The division processing the request is responsible for the following.

- When grants are disbursed, a requisition or letter from the payment recipient must be enclosed with the form. The requisition or letter must be the original document. Note that telefax or e-mail is not valid as payment documentation to the LR form. If the original letter is filed at the department, a copy may be used. The copy enclosed with the LR form is to show the registration (reference number). The amount must be shown on the copy of the request, and it must be signed by the officer, and with the name in block letters. For payments to the UN, see special guidelines for UN disbursements.
- Requisitions submitted to embassies are to be registered. For disbursements, the original requisition is used, enclosed with the LR form. A copy of the requisition is filed in the embassy's archive, and the officer notes: "Original = payment documentation, see Sida's suppliers' ledger" or "Original = payment documentation. See embassy's accounting vouchers", together with signature, name in block letters and date. The copy is to include a clear reference to the location of the original document.
- If a different amount to that shown on the requisition is to be paid, the new amount is to be stated and the officer issuing the payment instruction is to write OK for payment, state the amount, and initial the amount.

- The requisition must be addressed to Sida. Note that for KTS cooperation, the invoice must be addressed to the cooperation partner, c/o Sida and supplemented with the requisition.
- The LR form is to be initialled/signed by two different people (approval and payment instruction):

The LR form must be signed with the initials of the officer responsible, thereby approving the payment, i.e. certifies the facts that concern the requisition. The LR form is to be signed by the officer authorised to issue the payment instruction, i.e. the officer with disposal rights. There is to be a decision on disposal rights.

- Check that the recipient's name and address is correct.
- Check that the *amount* to be paid is correct.
- Check that the correct *currency* is stated.
- Fill in the correct *account-organisational division-function*-(where applicable, *activity*)-*component* and *account specification*.
- For payments to another government agency the code of the counterpart must always be given in the field for *account specification*. The chart of accounts contains a list of all counterparts.
- For *domestic payments* the payment documentation must show: recipient's name, address, plus giro account/current account/bank giro/bank account (incl. clearing number), the name and address of the bank, amount, VAT (where applicable), and date for payment.
- For *international payments* the payment documentation must show: recipient's name, recipient's bank, BIC/SWIFT-address, Sort Code or ABA/Fed Wire Code recipient's bank account/ IBAN No (within EU), bank address, and the currency of the account. The agreement must show the information needed for payment.
- For international payments within the EU the VAT number must be shown if the payment is for services.
- The plus giro account/current account/bank giro/bank account (incl. clearing number) etc. can be circled in red ink on the request so that *this information is shown clearly*. Do not use paper clips to attach any documents to the invoice. All documents must be properly stapled together so that nothing is lost.

The completed LR form, together with the requisition, is sent to EVU/ Ekonomi for registration and payment.

Payment is made as soon as the EVU/Ekonomi receives the LR form and requisition.

Check of received invoices

According to the Accounting Act, a Swedish invoice must include certain information if it is to be regarded as a voucher. Other legislation, such as the VAT Act, also specifies features on an invoice. According to these requirements, an invoice must include the following information:

- Date when it was prepared
- Customer to whom the invoice is addressed
- Business event, and when it occurred
- Specification of what the invoice relates to
- Amount

- A unique serial number for each invoice
- Seller's VAT registration number
- Seller's and buyer's names and addresses
- Quantity and nature of goods or scope and nature of services
- Taxable amount (price before VAT) for each tax rate
- Applicable VAT rate(s)
- VAT that is to be paid.

Registration for corporation taxation is to be shown on the invoice.

Check that the invoice contains all the information. If the invoice is incorrect, or if other errors are discovered, a credit invoice must be requested. Submit both invoices to EVU/Ekonomi (invoices must not be thrown away).

Payment of invoices (LR form)

For all payments, there must be a payment order comprising an LR form. The LR form for invoices is called PAYMENT. The invoice (this comprises the payment documentation) is attached to the LR form. Only one LR form is to be completed per payment.

The division receiving the invoice is responsible for the following.

- Check that the invoice is *original*. Note that telefax or e-mail is not valid as payment documentation for the LR form.
- If the invoice is misplaced, a copy of the original must be requested from the supplier and an explanation as to why the original is not used should be given on the invoice copy. The officer issuing the payment instruction or approving the payment must sign the invoice.
- Check that the invoice is addressed to Sida. NB. One exception is KTS- cooperation, where the invoice is to be addressed to the cooperation partner, c/o Sida, and is to be supplemented with a requisition.
- Check that the information forming the basis of payment is correct – compare with agreement, decision or corresponding document.
- Check that the recipient's name and address is correct.
- Check that the supplier is registered for corporation taxation.
- Check that the *amount* is correct.
- Check that the correct *currency* is given.
- Check that the date for payment corresponds with the payment terms.
- The LR form is to be initialled/signed by two different officers (approval and payment instruction):

The LR form must be signed with the initials of the *officer responsible*, thereby approving the payment, i.e. certifies the facts that concern the requisition. The LR form is to be signed by the officer authorised to issue the payment instruction, i.e. the officer with disposal rights. There is to be a decision on disposal rights.

- Fill in the correct *account-organisational division-function* - (where applicable, *activity*) - *component and account specification*.
- For payments to *another government agency* the code of the counterpart must always be given in the field for account specification. The chart of accounts contains a list of all counterparts.

- Check that VAT, if applicable, is correct and shown separately.
- For *domestic payments* the payment documentation must show: recipient's name, address, plus giro account/current account/bank giro/bank account (incl. clearing number), the name and address of the bank, amount, VAT (where applicable), and date for payment.
- For *international payments* the payment documentation must show: recipient's name, recipient's bank, BIC/SWIFT-address, Sort Code or ABA/Fed Wire Code, recipient's bank account/ IBAN No (within EU), bank address, and the currency of the account. The agreement is to show the information needed for payment.
- For international payments within the EU the VAT number must be shown if the payment is for services.
- The plus giro account/current account/bank giro/bank account (incl. clearing number) etc. can be circled in red ink on the request so that *this information is shown clearly*. Do not use paper clips to attach any documents to the invoice. All documents must be properly stapled together so that nothing is lost.

The completed LR form, together with the invoice, is sent to EVU/ Ekonomi for registration and payment.

Payments at embassies/section offices

The same regulations and procedures as described above apply for payments of requisitions and Swedish invoices at Embassies/section offices. For invoices and receipts issued in the country in which the embassy/section office operates, the country's regulations and legislation for VAT, tax, etc. apply.

Electronic invoice management

According to a government decision, all agencies must introduce electronic invoice management. This makes it obligatory to introduce electronic management of invoices in the government by 1 July 2008. Sida is currently working to introduce electronic invoice management. Information will be provided when new procedures are introduced.

Fees

Invoices from private individuals often relate to fees. These usually lack information about registration for corporation taxation, and must be sent to PEO/Personnel Division for registration in the salary system, because the cost is regarded as a taxable fee. For fees, tax will be deducted from the amount, and social security contributions calculated on the gross amount.

When natural persons and legal entities are contracted, a notice of assessment must be shown.

A statement of earnings and tax is issued for all fees, even in cases where the income is exempted from tax.

Remember that the cost increases by approximately 50%, because Sida is obliged to pay social security contributions on the invoiced amount.

See *Guidelines for payment of fees to consultants*. See also the form templates in Word for PAYMENT OF FEES, TRANSFER ASSIGNMENTS with guidelines, TRANSFER ASSIGNMENTS foreign citizens.

Invoices that relate to entertainment or conferences

For *entertainment*, the purpose of the entertainment is to be shown on the invoice, and a list of participants is to be attached, including name and the company or organisation the person represents. See the chapter, “Entertainment”.

A participant list is also to be attached to invoices relating to costs for *conferences*, internal workshops, training and similar that include lunch, coffee or dinner.

Payments in conjunction with annual accounts

In conjunction with annual accounts, it is important that grants are disbursed that relate to the fiscal year in which the grant is to be charged.

For invoices, the costs can be charged to the year to which they relate if they arrive before or on the cut-off date.

Always check with the current *Guidelines for Annual Accounts* that are issued prior to preparation of annual accounts (these can be found under Stödfunktioner/Ekonomi & PLUS/anvisningar och exempelsamlingar för bokslut) to see what applies.

Procedures for payments at Sida Stockholm

Finance and Corporate Development/EVU makes an interim registration of all invoices and requisitions received by Sida. This means that a liability is entered together with the relevant organisational division in the suppliers’ ledger. The entry is posted to an interim account in the PLUS financial system. The date of payment is 30 days after the invoice date.

The invoice or request is given a voucher number that starts with 28. The number is noted on the invoice. The invoice is then sent to the department/division that is to approve the invoice.

The department/division receiving the invoice checks, approves and signs the payment instruction and account codes the invoice. It is then returned to Finance and Corporate Development/EVU.

At EVU the invoice is posted as a definite entry to the relevant cost account. After the definite entry has been made, an overnight updating must be carried out before a payment file can be created.

Payments are made twice a week, via Nordea for Swedish payments and SEB for international payments. On each payment occasion, the system selects all unpaid invoices that have been definitely entered and are due for payment, or will be due within the subsequent four working days.

A payment file is sent to Nordea and SEB, who monitor and make payments as and when they become due.

Please note that the payment documentation must have arrived at EVU/Ekonomi no less than *three working days* before the date of payment if the recipient in Sweden is to receive payment in time.

Invoices are paid on the date of payment, i.e. 30 days after the invoice date. Sida’s financial system monitors payment dates.

A payment has reached the recipient when the amount is credited to the recipient’s bank account (or plus giro/current account).

Immediate payments

Sida payments are normally made via the financial system’s suppliers’ ledger or as salary payments. Each department and division is responsible for ensuring there is sufficient forward planning to make payments in this way.

Immediate payments may be made, primarily for the following reasons:

- *Urgent payments.* Urgent payments particularly mean payment of travel advances when there is insufficient time to process them in the normal way via the suppliers' ledger. One example can be travel advances to election observers.
- *Correction of incorrect salary payments.* If errors do occur in salary payments via the personnel system, and the employee may not receive the correct salary or, in the worst scenario, receives no salary at all on the payment date. In that case, according to agreement, the salary must be paid in cash.

Note that these methods involve extra work since they comprise deviation from normal payment procedures, and are associated with higher cost. Urgent payments are to be used restrictively.

Funds management at embassies/section offices

Sida is exempted from the Ordinance on Government Agencies' Disbursements and Management of Funds (2006:1097) and, according to the letter of appropriations, may hold an account in a commercial bank for urgent cash payments, payments of letters of credit and for transfer of funds to the embassies.

Any credit interest relating to the above accounts is to be entered under revenue heading 2811 "Other revenues from government activities".

Sida has an agreement with Nordea about transfer of funds to embassy accounts from Sida's accounts. Every embassy enters into a separate sub-agreement with Nordea, giving details about the local bank account to which funds are to be transferred, and an authorisation showing who is entitled to sign a request for transfer.

Each embassy/section office is to decide annually:

- Who holds the right of disposal and the right to issue payment instructions. Copies of decisions and samples of signatures are to be sent to Finance and Corporate Development/EVU before each new fiscal year.
- Who is entitled to sign for embassy bank accounts in local commercial banks
- Who is authorised to enter into agreements about the flow of funds to local bank accounts that receive transfers from Nordea accounts, and
- What ceilings apply for every transfer of funds to local bank accounts.

Copies of decisions are sent to both Nordea and EVU/Ekonomi.

When necessary, the Ministry for Foreign Affairs sends a request for a transfer for a desired amount direct to Nordea. The transfer request is normally sent by fax from the Ministry for Foreign Affairs (in exceptional cases, if agreed separately, by e-mail). The orders are to be numbered consecutively through the calendar year. The order is to be signed and countersigned in accordance with UM's authorisation and agreement with Nordea. Nordea will only approve the signatures provided by the Ministry for Foreign Affairs in the agreement. It is important to be aware of this with regard to absences and holidays. The original order document is sent to Nordea.

Reconciliation of payment accounts at embassies/section offices

Embassy bank accounts, cash and local advances are to be reconciled monthly.

The balance carried forward on the Bank Reconciliation Statement is to correspond with the balance carried forward in Simba/PLUS. On the Bank Reconciliation Statement, the balance on the account is to be taken up according to the account statement from the bank as of the last day of the month. Differences between bank account and bookkeeping are to be explained item by item.

The balance carried forward on the Cash Certificate is to correspond with the balance carried forward in the bookkeeping in Simba/PLUS.

Reconciliations of cash and bank accounts are to be sent together with bank account statements to EVU/embassy group every month. For embassies with direct accounting, differences in exchange rate must be eliminated for advances paid to accounts for local advances.

Signed monthly reports (account or transaction reports) of embassies' local assets accounts (bank, cash and advance accounts) are to be filed at embassies. See also instructions for direct accounting or the Simba manual.

A *bank commitment* shall be attached with the bank reconciliation at the end of June and the end of December.

Management of cheques at embassies/section offices

According to a decision, two send out staff are to sign cheques, of which one must be the stationed*** head of admin or his or her deputy. The cheque number is to be shown in the accounts.

Chequebook stubs are to be correctly completed, i.e. with date, recipient and amount recorded. The officer that signs the cheque must initial the cheque stub.

Cancelled and non-cashed cheques are to be noted on the Bank Reconciliation Statement. Chequebooks and cheques are to be kept in a safe, and handled securely by an authorised person. When a new chequebook is received, check that no cheque number is missing in the number series.

In Sida's financial system, the coding concept of function governs the payment channel/flow. For payments and incoming payments with function 20 (Development Cooperation Activities), plus giro and bank accounts linked to SCR (the government's central account in the Riksbank) are used. For payments and incoming payments with function 61/66, plus giro and bank accounts linked to the interest-bearing account in the Swedish National Debt Office are used.

Payment channels

Government agencies' payments are regulated in the Ordinance on Government Agencies' Disbursements and Management of Funds (2006:1097).

Payments in and out of Sida take place in two different payment flows. Payments in and out that concern the administration appropriation are via the interest-bearing payment flow, and are linked to the agency's interest-bearing account. Payments in and out that concern the development cooperation appropriation are via the payment flow that is not interest-bearing, and this is also called the SCR flow (SCR is the government's central account in the Riksbank).

As it is important to keep the different payment flows separate, different plus giro and bank accounts have been set up in the chart of accounts for payments and incoming payments in each flow. In addition domestic and international payments are kept separate.

Sida's payment agents – banks

EVU bears overall responsibility for Sida's financing and liquidity management as well as Sida's external contacts on these issues.

As mentioned above, the Swedish National Debt Office enters into agreements with banks on behalf of the government for payment services. Via central agreements, government agencies utilise the services provided in the National Debt Office/Government frame agreements with the banks. Sida currently works with Nordea/Plusgiro and SEB, and so all payments from Sida HQ go through these banks.

Plus giro and bank accounts may *only* be opened by *EVU* on behalf of Sida. EVU decides on authorisation for Sida's plus giro and bank accounts. This decision is continuously updated.

Summary – Sida's payment agents:

- International payments (OUT) – SEB
- International payments (IN) – Nordea
- Domestic payments (IN and OUT) – Nordea
- Embassies' funds supply – Nordea

Payments between government agencies – counterparts

All government agencies are included in the ongoing group compilations and in the annual report to the government for which the Swedish National Financial Management Authority (ESV) is responsible. In this, receivables and liabilities between government agencies must be eliminated, as well as revenues and costs.

In payments to a government agency, it is important to establish at an early stage whether it is a grant that is being disbursed (requisition needed) or whether it is a service/task that Sida is buying from the agency (invoice needed). It is important that both Sida and the recipient agency agree on how this affects accounting and counterpart accounting.

This is done through counterpart reconciliation and is reported to the government accounting system, Hermes, in conjunction with preparation of interim and annual reports.

For counterpart reporting, it is important that the *counterpart is always shown in coding (account specification) for payments to other government agencies*. Check in the chart of accounts which counterpart code applies for the agency in question.

Check of payments exceeding SEK 1 million

At Sida S, an extra check is made of all payments of SEK 1 million or more. EVU/Ekonomi carries out the check. The procedure for the review is described in Memorandum Review of "million payments".

Check of payments at embassies/section offices

Payments at UM/SK that exceed SEK 1 million shall be checked by a third person, apart from the approval (program officer) and the authorisation. A check is made that payment is made to the correct recipient, the correct payment channel is stated, the documentation is correct and

that the agreement terms are fulfilled. The check is documented by signing and dating the payment documentation.

At embassies/section offices, the standing order regulate who is responsible for the control of payments exceeding SEK 1 million.

Contact: Carin Rydberg, ext 5477

11. Entertainment expenses

Entertainment is an overall name for the appreciation and hospitality that a government agency receives or shows to external contacts and its employees.

External entertainment is entertainment extended to the agency's external contacts.

Internal entertainment is directed towards Sida's own employees.

The Swedish National Tax Board has established a maximum amount for VAT compensation in connection with entertainment expenses. Consequently Sida is compensated for VAT up to a ceiling, and the remaining amount is debited to the division's budget.

There are also formal requirements for entertainment that include showing the purpose of the entertainment, and the names and affiliation of the participants, on the voucher or on a document submitted with the voucher.

Costs for entertainment are always charged to the administration budget.

Sida's *Guidelines for Entertainment* are shown on the Personnel Information Page.

Planning days, conferences and internal training are not regarded as entertainment, so the regulatory framework for entertainment and the Swedish National Tax Board's limits for VAT deduction do not apply. The same requirements apply as for entertainment, i.e. the voucher is to include the purpose, the programme and list of participants.

Contact person	Ext.
Emma Eriksson	5495

Entertainment – general

The *regulation on values and procedure* for the areas of personnel and organisational development states Sida's values regarding entertainment (Decisions Gd 9/04, 21 January 2004). The Guidelines for Entertainment explains the regulation and gives examples of application.

Costs for entertainment may only be charged to the *administration appropriation*.

Definition of external and internal entertainment

Entertainment expenses are of two types, external or internal:

- *External* entertainment expenses are defined as entertainment expenses aimed at the external contacts of the government agency.
- *Internal* entertainment expenses are aimed at Sida's employees. They apply to activities aimed at creating a good working atmosphere and generally take the form of information meetings, gifts on special personal occasions, when employees leave, and for illness/death, as well as for department/division staff parties. (Sida's annual staff party is dealt with according to special procedures).
- *Planning days, conferences, training* (organised internally or externally) and similar are not regarded as internal entertainment and consequently are *not* affected by the VAT regulations listed below.

One condition applying to all entertainment is that these occasions are not held on a regular basis or at short intervals and that they are, when applicable, in the form of meals taken together.

Entertainment must always have a natural connection with Sida's operations and may not be organised with the aim of wholly or partially covering costs of a private nature, personal entertainment, or similar. Clear instructions and guidelines apply to when reimbursable entertainment can be arranged, and to the purpose and form. These are essential to prevent damage to public confidence in Sida's operations.

For both external and internal entertainment, costs of tobacco and strong spirits are not compensated, but wine and beer in reasonable quantities are compensated.

External entertainment

External entertainment is to have a direct connection with the operation, and the purpose must be to initiate or develop important and central contacts. The number of participants from Sida personnel, in relation to the external guests, must be reasonable in relation to the operation in question.

Sida's guidelines for entertainment state *frame amounts* for different types of external entertainment in Sweden and abroad. The amounts differ in terms of entertainment at restaurants and entertainment at home.

Internal entertainment

Internal entertainment is directed towards Sida employees, and is only to be used in personnel-boosting purposes with the aim of creating good working conditions.

Examples of internal entertainment are personnel parties, Christmas buffet, joint lunch or dinner at the start or conclusion of a project, with the aim being to create a good work environment. It can also be meals aimed at celebrating or thanking an employee.

Formal requirements

Before entertainment is arranged, the entertainment must normally be approved by the immediate supervisor. For entertainment under SEK 1,000 the approval is verbal. After the entertainment, the person authorised to issue a payment instruction (and approve the expenditure) signs a form or invoice in the usual way.

For larger entertainment events (exceeding SEK 1,000) the approval of the immediate supervisor must be in writing. Use the form for *Approval*

of *Entertainment* available in the Word templates.

Entertainment in conjunction with business travel is to be approved with the signature of an authorised manager in the travel claim. More comprehensive entertainment is to be budgeted in advance and taken up as an item in the travel decision.

A document showing the purpose and list of participants must always be submitted with invoices and receipts for external entertainment, showing the names and companies/organisations of the external guests that participate, and the organisational division of Sida personnel attending.

A document showing the purpose, and name and organisational division must always be submitted with invoices and receipts for internal entertainment.

State which type(s) of meals are included, e.g. lunch or dinner.

Vouchers are always to comprise the original invoice and/or receipts.

For payments via EVU, an LR form is to be used. For payments via PEO/HR (salaries procedure) the form for *Personal Expenditure* is to be used.

Entertainment at embassies

The guidelines of the Ministry for Foreign Affairs apply for entertainment relating to placement at embassies. These are not considered here.

Planning days, conferences, training

Planning days, internal conferences and internal training are not regarded as entertainment, so the guidelines for entertainment and limits for VAT deduction do not apply.

Planning days, internal conferences and training must always have a *programme* showing the purpose, content and times. In order to be approved as a conference, at least 6 hours of 8 per day must be work (75% of the time). A *list of participants* must also be submitted, showing names and organisational affiliation.

Tax on benefits

Taxable meals

Meals that are provided free of charge in conjunction with trips are a taxable benefit. *Exceptions* apply for breakfast that is included in the cost of a hotel room, and meals on general transport, such as when meals on trains or with airlines are included in the price of the ticket.

The Swedish National Tax Board has established rules for taxing of meals provided in certain situations, meal benefits. This means that individuals are taxed when meals are provided as benefits.

Benefits are taxed at a standard rate according to the type of meal. At present, the following applies:

Free breakfast – SEK 32 *

Free lunch – SEK 64

Free dinner – SEK 64

Completely free meals (at least three meals) a day – SEK 160/day

* Exceptions apply for breakfast that is included in the price of a hotel room, and meals on trains or with airlines that are included in the price of the ticket.

Meals that are provided free of charge in conjunction with *external training* and *conferences* are taxable, and the benefit is to be taxed.

Non-taxable meals

Entertainment meals are not meal benefits for participants, irrespective of whether they are the providers or recipients of the entertainment. This is irrespective of whether it is external or internal entertainment.

Meals that are provided on *planning days or internal training* are not taxable.

One condition is that these arrangements mainly involve internal meetings and that the meeting goes on for no longer than one week. Nor may they involve meetings that are held regularly at short intervals (every week or fortnight). Another condition is that meals are arranged jointly.

Personnel care benefits also include *refreshments and other simpler snacks* in conjunction with work that cannot be regarded as meals. Refreshments and other simple snacks include coffee, milk, fruit, buns and sandwiches. A sandwich means a simpler type of sandwich, such as cheese or ham, and not a large baguette (because it must not be a meal).

VAT accounting for entertainment

Costs relating to entertainment expenses are debited to the division's administration budget. For entertainment there are limits to the right to deduct VAT. The Swedish National Tax Board establishes the maximum amount of VAT that may be deducted per person in connection with entertainment. This applies to both external and internal entertainment.

The following maximum amounts apply in connection with entertainment.

VAT is calculated on

- lunch/dinner/supper – maximum SEK 90 per person (VAT calculated on SEK 90), i.e. VAT is SEK 22.50 per person at VAT rate of 25% and SEK 10.80 per person at VAT rate of 12 %
- snacks, coffee, etc. – maximum SEK 60 per person (VAT calculated on SEK 60), i.e. VAT is SEK 15 per person at VAT rate of 25% and SEK 7.20 per person at VAT rate of 12 %.
- other entertainment expenses, e.g. theatre tickets – maximum of SEK 180 per person (VAT calculated on SEK 180), i.e. SEK 10.80 per person on services with a VAT rate of 6%. Calculation is based on the tax rate applicable for the goods or service.

Consequently, Sida may calculate the maximum VAT that can be deducted as above. The type of meal needs to be known, how many people participated, and the tax rate applying for the service. If the VAT shown on the receipt or invoice exceeds the amount calculated for VAT, this is coded as an operational cost, and is charged to the division's administration budget.

Accounting example for entertainment

INVOICE:

Dinner 6 people SEK 2,400

VAT 25% SEK 600

Total to pay = SEK 3,000

The invoice total is SEK 3,000 inclusive of VAT. The total VAT is SEK 600, i.e. SEK 100 per person.

Maximal deductible VAT per person is SEK 22.50 (see section above), so a total of SEK 22.50 x 6 = SEK 135 for the entire invoice. The sum to be entered as non-deductible VAT is 600-135 = SEK 465.

The LR form is completed as in the example below:

VAT			600.00	D
Account	Org	Fu	Amount	D/C
6071	772	61	2 400.00	D
60711	772	61	465.00	D
1271			465.00	C

Comments: the VAT in the top row is automatically coded to account 1271; this amount cannot be corrected so it is credited to account 1271 on the last row.

The list of participants and the purpose of the entertainment must be attached to the bookkeeping documentation.

Contact: Emma Eriksson, ext 5495

12. Financial conditions

Financial conditions may be defined as conditions for how a certain amount in an appropriation item may be utilised. The outcome of financial conditions is reported in Sida's annual report.

The most common financial condition is a maximum amount that may be used for a certain purpose.

The Department of Finance and Corporate Development is responsible for interpretation of what is to be reported as financial conditions, and for the compilation of information in Sida's annual report.

The programme officer is responsible for continuous monitoring, and for preparing documentation for Sida's annual report. The officer is also responsible for informing the Finance Department sufficiently in advance if there is risk that Sida will not fulfil a financial condition.

Contact person	Ext.
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General

The financial conditions are shown in Sida's Letter of Appropriations or in individual Government Decisions. When a government agency has the right to dispose of an appropriation or an appropriation item, this may be combined with a financial condition. Financial conditions can be defined as conditions determining how a certain amount in a budget item may be utilised. In most cases the condition takes the form of a maximum amount that may be used for a certain purpose. However other conditions may be applied, e.g. a minimum amount to be utilised for a certain purpose.

In the annual report, appropriation accounts must be supplemented with a specification of all Sida's financial conditions and a report on the year's outcome for each condition.

Responsibility for follow up and reporting of financial conditions

Every year, EVU/Ekonomi is responsible for defining what are to be defined as financial conditions, and for compiling these in a table. The Financial Unit then gathers information about the year's outcome and compiles this in Sida's annual report. Throughout the year, continuous contact is kept with the programme officers to remind about follow up.

The respective officer that is responsible for contributions affected, is also responsible for following up the financial conditions. This responsibility involves both continuous follow up and compilation of final outcomes for the annual report.

If there is a risk that a financial condition may not be fulfilled, the officer must contact EVU/Ekonomi as soon as possible. If the agency does not fulfil a financial condition, this is regarded as very serious. In order to prevent this, the Financial Unit is to be contacted so that suitable measures can be taken. Note that it is not sufficient to receive verbal information from the Ministry for Foreign Affairs in these matters. Texts in Sida's Letter of Appropriations or in the individual Government Decision must be changed by the Government in order for them to be deemed valid.

Instructions for reconciliation

Procedures for continually reconciling the outcome for a financial condition should be produced already at the start of the year, or as soon as the government has taken a decision on a financial condition. If this concerns an individual contribution or contributions, this simply means that routine checks are made to ensure that the condition is being fulfilled. For certain financial conditions, the checking of outcome may be more complicated. Contributions in question may need to be supplemented with some form of reference concept to be used when examining the outcome. Contact EVU/Ekonomi for help in producing suitable reports.

In connection with the annual accounts, the final outcomes for all Sida's financial conditions are to be reconciled and reported to the Financial Unit at EVU. A specification of contributions' financial conditions and the period's outcome is made using the reconciliation template entitled "Utfall_fin_villkor.xls". This template is updated before each annual report. First, write an explanatory text about the conditions under the heading "Financial conditions" and where they were imposed (e.g. Letter of Appropriations, Government Decision including decision number). Then state the relevant financial condition (amount), the appropriation number and title, the contribution number and title, and finally the year's outcome.

As annex to the reconciliation template, attach documentation that confirms outcome information. Attach PLUS Report P2:2 Agreement/Contrib. (for relevant year). Attach the report cover sheet too.

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13. Fixed assets

A fixed asset is defined as an asset intended for continuous use or ownership.

At Sida, assets with an acquisition value of at least SEK 10,000, exclusive of VAT, and with an estimated economic life of at least 3 years, are classified as fixed assets.

Expenditures for improvement of property owned by another party are also regarded as fixed assets. This applies to new construction, additions and remodelling, as well as repair and maintenance costs. The threshold for improvement expenditures is SEK 100,000 for repairs. The economic life is 10 years.

Expenditures for development that is of significant value to the agency's operation are classified as intangible fixed assets. For intangible assets developed in-house, the threshold is SEK 500,000. The economic life of these assets should be five years, except in special circumstances. Finance and Corporate Development/EVU decides which development projects are to be classified as intangible fixed assets.

Fixed assets are to be funded with loans from the Swedish National Debt Office. All investments in fixed assets must be included in an investment budget. Fixed assets may not be financed through the operational budget or development cooperation appropriation.

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How Sida reports fixed assets

At Sida, fixed assets are reported in the PLUS financial administration system. EVU sets the investment budget for each department and section office annually in the agency planning.

Each department/section office allocated an investment budget is responsible for acquisition and accounting according to Sida's procurement regulations.

Each department/division is responsible for reporting any fixed assets acquired. EVU is responsible for reporting depreciation, discards and sales. Ekonomi is also responsible for updating the fixed asset register.

Finance and Corporate Development/EVU checks the period's new acquisitions and disposals. After any corrections, new acquisitions are

registered in the fixed assets section of Sida's financial administration system, while assets that have been disposed of are discarded from the system. Then EVU processes the period's depreciations.

It is vital that EVU is notified of fixed assets that Sida no longer holds, for example when an asset has been discarded, so that records can be updated.

Contact EVU in the event of queries about fixed assets.

Fixed assets at embassies and section offices

From 1 January 2007, the Ministry for Foreign Affairs' regulations apply to fixed assets acquired and sold by embassies.

Sida's Finance Handbook applies to fixed assets sold and discarded at section offices.

Definitions

A fixed asset is defined as an asset intended for continuous use or ownership.

Expenditures for improvement of property owned by another party are also classified as fixed assets. Improvement expenditure includes new construction, additions and remodelling, as well as repair and maintenance costs up to considerable amounts.

For classification as a fixed asset, the acquisition value of the asset must exceed a certain threshold and its economic life must also exceed the threshold set by the agency.

When determining whether an acquisition can comprise a fixed asset, another consideration is whether the acquisition comprises a functioning unit.

Economic life is the period over which the investment is deemed profitable to have in operation for the purpose for which it was originally acquired.

Expenditures for development that is of significant value for the agency's operation in coming years are also classified as intangible fixed assets. For intangible assets developed in-house, the threshold is SEK 500,000, exclusive of VAT. The economic life of these assets is five years, except in special circumstances. EVU decides which development projects are to be classified as intangible fixed assets.

Certain assets comprise several separate parts that together form a functioning unit. These must be classified as a fixed asset if the total value of the component parts exceed Sida's threshold for fixed assets, i.e. SEK 10,000, exclusive of VAT.

One example of a functioning unit would be the refurbishing of an office room (desk, chairs, bookshelves etc.) where the total combined acquisition value exceeds SEK 10,000.

However, acquisition of an individual item for an existing functioning unit is not normally classified as a fixed asset (provided that the acquisition value does not exceed SEK 10,000).

Note that acquisition of several units, whose value individually is less than the SEK 10,000 threshold, and which together do not form a functioning unit will, in certain cases, still be reported as a fixed asset. This applies for major acquisitions that, if they were written off, would give a misleading view of costs (e.g. acquisition of 100 personal computers with an acquisition value of SEK 9,000 each). Factors that indicate an acquisition comprising several units, each of which cost less than SEK 10,000, should be entered as a fixed asset include:

- The economic life is at least 3 years
- The total acquisition amount exceeds SEK 10,000
- The acquisition is included in Sida's investment budget

Laptop computers and mobile telephones are deemed to have an economic life of less than three years, so they are not classified as fixed assets. However, they are regarded as theft-prone property, and are to be recorded in the inventory register. In unclear cases, EVU should be contacted for advice.

Tangible fixed assets

Acquisition

Acquisition value must include all expenditures that are directly related to the acquisition and that have arisen while preparing the asset for its intended purpose.

At Sida, assets with an acquisition value of at least SEK 10,000, exclusive of VAT, and that have an estimated economic life exceeding 3 years, are classified as fixed assets. This applies to tangible fixed assets and purchased intangible fixed assets.

Import fees, customs duties, transport and other handling costs, and assembly and installation costs are examples of expenditures that must be included in the acquisition value.

The acquisition expenditure, exclusive of VAT, must be capitalised in the relevant balance account. At Sida this is carried out via profit and loss accounts.

New acquisitions must, at the time of acquisition, be account coded to the relevant balance account for the year's acquisitions in Account Group 18, "Tangible Fixed Assets".

Fixed assets that have not yet been commissioned, such as ongoing work to improve property belonging to another party, are to be reported as fixed assets under construction and are not to be depreciated. There are specific balance accounts for ongoing improvement expenditures.

Economic life – depreciation period

A fixed asset must be continuously written off during its entire economic life, i.e. the costs are distributed over a period of several years.

Sida applies linear depreciation (i.e. depreciation is constant for each depreciation period), beginning in the month in which the asset is commissioned.

Sida applies the following depreciation periods:

- Computers, three years
- Expenditures on improvements of property owned by another party, 10 years
- Other fixed asset categories, 5 years

Depreciation does not begin until an asset is commissioned. Consequently, assets that are under preparation will not depreciate until they are completed, e.g. expenditures for improvement of property owned by another party while construction is taking place.

EVU processes all depreciations centrally, every six months. Before depreciation can be initiated in fixed asset reporting, the period's total sales and discards must have been registered.

Depreciation is a form of periodisation of acquisition expenditure, where the period's depreciation must correspond to resource utilisation.

Consequently, depreciation decreases the asset's value carried forward and creates a cost in the statement of financial performance. Depreciations are not settled against appropriations. Instead, it is the amortizations of the loans with which Sida finances the facilities that are settled against appropriations.

Sales, discards or theft

EVU enters disposal of fixed assets, discards, theft or sale. Disposals, discards and sales must be reported before the depreciations for the period are registered (otherwise an asset will be depreciated although it no longer belongs to Sida). Consequently it is vital that Finance and Corporate Development/EVU is immediately notified of fixed assets that have been disposed of.

Sales

When a fixed asset is sold, the funds realised must be reported in an account for payment received in Account Group 67, "Revenue from sales of fixed assets".

When fixed assets are sold, note that output VAT must not be calculated and added, according to a directive from the Swedish National Financial Management Authority.

Responsibility for reporting revenues from sales lies with the relevant division/department or embassy, which is also responsible for notifying EVU of the disposal.

EVU registers disposals in fixed asset reporting and updates the ledger, so the acquisition value of the fixed assets and accumulated depreciation is removed from the relevant balance account. At the same time, any remaining book value is written off.

EVU then enters the difference between the book value and revenue realised by the sale as capital gain or capital loss.

Discards

EVU is to be notified of discards at once on the special form. The EVU reports discards in fixed asset reporting in the same way as sales.

When a fixed asset with residual book value is discarded, a capital loss occurs (a capital gain can never occur when an asset is discarded). EVU enters the capital loss into a special account for this in Account Group 512.

Expenditure for improvements on property owned by another party

New construction, additions and remodelling on property owned by another party must be capitalised as improvement expenditures on property owned by another party. For this, a threshold of at least SEK 10,000 applies.

This does not apply to repair and maintenance costs relating to improvement expenditures where the threshold is at least SEK 100,000 exclusive of VAT.

The economic life of expenditures on improvements of property owned by another party is ten years.

Acquisition

Acquisition expenditures relating to expenditures for improvement of property owned by another party must be account coded into the relevant balance account in Account Group 18X23 "Acquisitions for the year", as with other acquisition expenditures.

Work not yet completed is reported as ongoing improvement expenditures. As soon as the work is completed, the total acquisition value is posted to an account for completed projects. Depreciation is then initiated and loans raised. Finance and Corporate Development/EVU takes care of inter-account transfer. Before the transaction, the project manager/equivalent must approve/confirm the completion of the work.

Depreciation period

According to current regulations, the depreciation period for expenditures for improvement of property belonging to another party will be determined by the estimated economic life, on condition that the period of use is not shorter (remaining period of the rental agreement that is not to be prolonged).

At Sida, the depreciation period for expenditures for improvement of property owned by another party has been set at 10 years. Any deviation from this main regulation may only be made by special agreement with EVU.

Intangible fixed assets

An intangible fixed asset is an identifiable, non-monetary asset that, unlike a tangible fixed asset, has no physical substance.

Intangible fixed assets include expenditures for development that will be of considerable value to agency operations in future years, plus expenditures for patents, licences and similar rights. However, expenditures for research are not classified as intangible fixed assets and consequently may not be capitalised.

If an intangible asset is to be classified as a fixed asset, the acquisition value must, as with a tangible asset, exceed the financial threshold and economic life set by the agency.

Examples of different types of intangible fixed assets include:

- Software
- Licences for, e.g. software
- Patent, concessions and similar rights
- Models and prototypes
- IT systems developed in-house

Sida classifies purchased intangible assets whose acquisition value amounts to at least SEK 10,000, exclusive of VAT, and whose economic life is estimated at more than three years, as fixed assets.

For intangible assets developed in-house, the threshold is at least SEK 500,000. The economic life of these assets is five years.

Acquired intangible fixed assets

In cases where an intangible fixed asset is acquired from an external supplier, the acquisition value can normally be reliably established. In normal cases the acquisition value comprises the purchase price plus any expenditures necessary to prepare the asset for its intended purpose. Any discounts are deducted when the acquisition value is established.

The acquisition expenditure, exclusive of VAT, must be capitalised in the relevant balance account in Account Group 19X23.

Intangible fixed assets developed in-house

Threshold and depreciation period

for capitalised development expenditures

Expenditures can only be capitalised if they are expected to bring financial advantages to the agency or offer service potential in the future.

Sida applies a threshold of at least SEK 500,000 for the expenditure to be regarded as capitalised expenditure for development.

Unless there are special reasons, the depreciation period will be five years from the month in which the asset was commissioned.

EVU decides which development projects are to be regarded as fixed assets.

More detailed guidelines for capitalised expenditures for development are available in Decisions about threshold and depreciation period for capitalised expenditure for development.

Criteria for evaluating intangible fixed assets

There are a number of conditions that *must* be fulfilled if an intangible fixed asset developed in-house is to be capitalised.

All conditions listed below must be fulfilled and Sida must be able to prove that this is the case (please refer to the sector on documentation).

1. It is technically possible to complete the intangible fixed asset so that it can be used.
2. Sida's intention is to complete this intangible fixed asset.
3. Sida is able to use this intangible fixed asset.
4. The intangible fixed asset will probably increase future financial advantages or service potential for Sida, and this can be proved with a high degree of certainty.
5. There are necessary, proper technical, financial and other resources available to complete the development and to use this intangible fixed asset.
6. Sida can reliably calculate the expenditures that may arise from this intangible fixed asset.

If Sida, in connection with a development project, can prove that the conditions listed above prevail, the expenditure may be capitalised.

Examples of development include:

- Design, construction and testing of a selected alternative for new or improved systems, processes, materials, products or services.
- Design, construction and testing of prototypes, plus
- Design, construction and running of a pilot facility.

Note that if Sida cannot separate expenditures for development from research, the expenditures are considered to relate to research and will be entered as costs as and when they arise.

Note that if Sida cannot separate expenditures for development from operating activities, the expenditures are considered to relate to operating activities and will be entered as costs as and when they arise.

Examples of intangible fixed assets at Sida:

- 1) In-house development of IT systems
- 2) Websites and intranet
- 3) Processes, models and similar

Acquisition value of intangible fixed assets developed in-house

The acquisition value includes all expenditure that can be directly attributed to the intangible fixed asset. It also includes such expenditures that can reasonably and consistently be related to the intangible fixed asset and that are necessary in order for the asset to be used for its intended purpose. Examples of such expenditures are:

- Expenditures for materials and services.
- Salaries and other employment-related expenditures for personnel participating directly in the work of developing the asset. Salaries and other employment-related expenditures for direct management, e.g. project management, are also included.
- Other expenditures directly related to the work of developing the asset.
- Indirect expenditures necessary to develop the asset and that can be related to the asset in a reasonable and consistent manner. Examples can be costs for premises that have been largely used for development activities. In uncertain cases, it is suitable to enter the expenditures as costs as they occur.
- Costs for interest if they amount to considerable amounts.

However the following expenditures are not included in the acquisition value:

- Administration costs and other general costs such as personnel administration or financial system. General overhead costs, such as supplement for operational management, are not included in the acquisition value.
- Clearly identified inefficiencies incurred by Sida before an intangible fixed asset reaches its planned production level. This could include technical problems that could result in certain expenditures not contributing to the completion of the intangible fixed asset. This does not merely mean additional costs incurred when the investment proves to be more expensive than originally calculated.
- Training
- Research

Additional expenditure

Additional costs for an intangible fixed asset are entered as costs as they occur unless:

- The expenditures will probably ensure that the asset will, in the future, generate financial benefits or service potential that exceeds the original estimate, i.e. the asset's capacity (performance) increases and
- Expenditures can be calculated and reliably related to the asset.

If these conditions are fulfilled, the additional expenditure is added to the acquisition value of the asset.

Documentation

Sida must be able to show that a number of conditions exist before capitalising expenditures for development. Consequently, it is important that each development project has detailed documentation for reference.

Calculations

Each development project must include calculations that show the

expected future financial benefits or the service potential. These investment calculations must be reliable, reasonable and well-supported. Where an investment is not expected to bring any direct financial benefits but mainly service potential, this can be proved both qualitatively and quantitatively. It can be a description of the *goal fulfilment* to which the investment contributes.

Decisions and project plans

Through project plans and written decisions, Sida can prove that the intention is to complete a development project and that sufficient and adequate technical, financial and other resources are available in order to complete the development project.

Ongoing bookkeeping

In order to identify all expenditure related to a fixed asset developed in-house, a specific activity code should be set up. EVU sets up this code.

The expenditure is then entered, as it arises, in normal expenditure accounts in Account Groups 4–6, with the relevant activity code (salary-related expenses may need to be identified afterwards). EVU carries out the capitalisation from special accounts (where the original financing, normally appropriation, is cancelled).

Incompleted work is reported as ongoing intangible fixed assets, and is not to be written off. As soon as the work is completed, the total acquisition value is transferred to an account for completed work, depreciation starts, and loans are raised. EVU takes care of the inter-account transaction. Before the transaction, the project manager/equivalent must approve/confirm the completion of the work.

Cultural assets

Artwork that Sida either owns or borrows from the Swedish National Public Art Council is classed as cultural assets. This artwork is exempted from loan financing. It is financed through appropriation funds, and is entered as assets in Account Group 186 with a contra account on the liabilities side, Government Capital, Account 2914.

The economic life of cultural assets is not deemed to be limited, so they are not written off.

Depreciation of fixed assets

EVU processes depreciation centrally every six months. One round of depreciation takes place in May ahead of raising loans, and one more after raising loans in June. Another round of depreciation takes place in November ahead of raising loans, and one more after raising loans in December.

Financing of fixed assets

Fixed assets, both tangible and intangible, are financed through loans from the *Swedish National Debt Office*. New loans are raised twice annually. Sida increases borrowed amount (by taking new loans) or decreases its borrowed amount (through repayments) so that the net loan on each loan occasion corresponds to the residual value of the total fixed assets. At the same time, Sida pays interest and repayments on outstanding loans.

Fixed assets may not be financed directly from the operating budget or from development cooperation appropriation.

Investment budget

Sida departments and SDC may utilise *investment budgets* outside the operational frame. The investment budget is to cover investments planned by the departments/SDCs for implementation during the current year. The acquisition value of investments is taken up in the budget.

It is vital for departments/SDCs to keep their investment budget and operational framework separate. Any remaining capacity in the investment budget, e.g. due to planned investments not materialising, may not be replaced by purchases that are charged to the operational frame, e.g. purchase of consultant services.

Sida makes *repayments* and pays *interest* to the Swedish National Debt Office for loans twice annually. These payments are deducted from appropriations. Repayments and interest are budgeted on central cost centres, and so are not included in the departments'/embassies' investment budgets or operational frames.

Security marking of fixed assets, and theft-prone assets

In the ordinance, *theft-prone* refers to stocks and assets that can be assumed to be at risk of theft. The concept "theft-prone" must refer to the asset's nature and applies irrespective of where in the agency's premises the asset is placed. A register must be kept of the agency's assets to prove the existence of the asset in the event of crime (internal or external), fire, etc.

At Sida, theft-prone assets are:

Purchased assets that have an economic life that exceeds one year, whose acquisition value is at least EUR 500 and that are deemed to attract theft because of their size, function, etc.

All conditions above must apply if the asset is to be classified as theft-prone. Examples of theft-prone assets (where they do not fulfil the criteria to be classified as fixed assets) are: laptop computers, mobile telephones, hand-held computers, cameras and similar technical equipment. Larger assets and assets that are fixed in place are not classified as theft-prone (e.g. microwave ovens, dishwashers and similar).

Sida has purchased an asset management system, Nilex. Security marking and recording information about the placement of the assets makes it easier to identify them and to check the fixed asset register.

The register must include all tangible fixed assets. Assets deemed theft-prone are recorded and security marked.

Fixed assets that are to be security marked and registered are:

- Capital goods
- Communication and safety equipment
- Vehicles
- Computers and IT equipment
- Office machines
- Furniture

Assets that must be security marked are:

- Computers
- Printers
- Overhead equipment
- TV and videos
- Stereos

Faxes
Mobile telephones
Other assets regarded as theft-prone

Checking the fixed asset register

Registration of information in Nilex, continual updating, reconciliations and checks are divided between IT and SERV. Both divisions are to communicate with the officer at Ekonomi responsible for fixed assets who, in turn, supplements certain information in the assets register and is responsible for checking against the assets module in the PLUS system.

IT is responsible for security marking all IT equipment that is purchased and delivered. SERV is responsible for security marking other purchases. IT/SERV decides when special marking is needed or whether a simpler form of marking is sufficient.

If an asset is disposed of/discarded during the year, the information in the assets register must be adjusted continuously. Ekonomi is to be notified of the event so that the information in the assets module of the PLUS system can be adjusted.

Within their respective areas of responsibility, IT/SERV are responsible for a physical check of facilities and assets. The assets are checked annually in October/November, by scanning the security markings on the facilities/assets. The results are checked against the information in the assets module of the fixed assets register. Fixed assets found to be missing are to be deleted from the register after an investigation of what has happened. If assets are discovered that are not in the register, these are to be registered.

Fixed asset registers at embassies/section offices

Assets are to be checked annually. Local fixed asset registers are to include cross-references to payment documents relation to purchases of assets (voucher number of the invoices). Changes in fixed assets are to be recorded in the register as and when they occur.

Acquisition, sale and any loss of fixed assets that belong to section offices are to be notified to EVU so that they can be removed from Sida's fixed assets register.

When officers move from their accommodation, a check must be made. When a new resident moves in, he/she must sign a copy of the inventory for the accommodation in question.

Acquisition, sale and any loss of fixed assets that belong to embassies are to be notified to the Ministry for Foreign Affairs in accordance with its procedures.

Contact: Yaser Abdelhamid, ext. 5475

14. Follow up of contributions

An obligatory task for all employees involved in development contributions is to conduct financial monitoring.

The aim of monitoring is to ensure that Sida does not pay out more than the sum stated in agreements and decisions, and that up-to-date information is always available for decisions and reporting.

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General

Financial monitoring of contributions can be divided into two parts:

- Ensure that all payments received and payments and inter-account transfers have been entered correctly. Monitoring is to be carried out every month.
- Monitoring to ensure that all other information in PLUS is correct including agreement amounts and forecasts. In order for LIS to be updated and correct, the officer must continually update the forecasts in PLUS.

In order to conduct efficient financial monitoring of contributions, the following tasks are necessary:

- Agreement with predecessor
- Case management in e-document project file with standard division system (applies to embassies)
- Regular maintenance and updating of PLUS planning
- Check and analysis of outcome against disbursement documentation.

PLUS planning is the part that officers normally come into contact with. It is also the most important tool for Sida's officers to use for financial monitoring. PLUS planning procedures describe how the information in the system is to be used and maintained.

New contributions must be registered as soon as possible – preferably as early as the I phase (Indicative). Amendments must then be registered as and when the officer receives new information, but at least every quarter. Information that normally needs amending includes:

- Agreement period
- Agreed amount and conditions
- Distributed Agreed Amount (DAA)
- Forecast
- Contribution status (including status of completed contributions – C, Completed)

The PLUS Suppliers' Ledger is also a tool that can be used for monitoring. An example of its use is that it shows payments made to a certain supplier.

When a programme officer changes, the departing officer is to reregister his/her contributions to the new officer, or to the head of division. One very useful arrangement is the procedure of “finished” notes applied by certain departments. The finished note is a Word form that is filled in when an officer finishes. The form is found under Word templates, “General Sida templates, Forms” under the Personnel Administration tab.

Even contributions temporarily lacking an officer must be monitored. Until a new officer is appointed, these contributions must be registered to the head of division. (Report to be used is P14:1-2). Below is a more detailed description of how financial monitoring is to be carried out.

Monthly monitoring

The purpose of the monthly monitoring is to ensure that all payments received and payments have been entered correctly. There is always a risk that ordered payments are debited to the wrong contribution, perhaps due to incorrect entry in bookkeeping. Good financial monitoring of contributions is part of Sida's internal auditing, and can also prevent attempted fraud.

In practical terms, the procedure for financial monitoring is as follows (at month end in the accounting system). Closing dates for periods are found on the intranet, under Stödfunktioner/Arbeta i projekt/Nätverk/Ekonomiadm.

1. In order to check that all components for which disbursements or inter-account transfers have not been ordered really are showing a zero balance for the month:

- Report P2:4 shows total balance for all components with status "A" that a programme officer is responsible for.
- Each officer ticks all components where the balance is expected to be zero.
- The officer signs. Any measures taken are noted on the report.

2. In order to check all payments received, payments or inter-account transfers:

- Report P1:3 shows, per component, all transactions that have taken place for the components with status “A” that a programme officer is responsible for.

- Each officer checks that the report's transactions are correct, i.e. that they really belong to the contribution in question, that all expected transactions are reported, and that amounts are correct.
- If there are any queries, additional checks are carried out by comparing the amount to the relevant voucher.
- The officer corrects any errors through inter-account transfer (or other errors by changing in PLUS Planning).
- All measures are noted on the report.

3. When a contribution has been completed and is given "C" status, a financial monitoring of this particular contribution must be carried out for the final period following the previous routine monitoring. Contributions whose status has been changed from "C" to "A" are to be monitored by the department responsible before the status is changed back to "C".

Filing

Documentation (= reports P1:3, P2:4) for monthly financial monitoring of contributions are not to be scanned into E-doc. They are to be filed in a binder at division level or officer level together with other working material in the division, for as long as is considered necessary. It is probably best to save at least the previous and current years.

Responsibility and monthly confirmation

The Director General determined (26 November 2002) that all heads of department must confirm that financial monitoring of contributions has been completed for all contributions that the department is authorised to administer. The written confirmation is to be sent to Sida's Head of Finance by the last day of the following month at the latest. This confirmation is not to be entered into E-doc. The relevant ambassadors/embassy counsellors must submit the equivalent confirmation, with a copy to the relevant head of regional department (see templates in Word).

- The head of division decides on the contributions for which each officer is responsible. The head of division is responsible for ensuring that there is always a programme officer responsible for each contribution and consequently an officer responsible for financial monitoring of each contribution. If there is no officer responsible temporarily, the head of division becomes responsible for the contribution.
- The head of division is responsible for ensuring that the division manages its financial monitoring of contribution in accordance with this procedure. In order to ensure correct financial monitoring of contributions, the unit should implement a procedure in which the head countersigns report P2:4 and/or P1:3.

The head of department bears the ultimate responsibility for ensuring that the departmental divisions conduct financial monitoring in accordance with this procedure. Consequently it is vital that the head of department ensures that monitoring of how the department conducts financial monitoring is included in quality assurance procedures. The departmental controller should play an important role in quality assurance.

Quarterly monitoring

As mentioned above, all information connected with contributions/components in PLUS must be checked every quarter. In order to monitor

agreement periods, contribution status, total agreed amounts, agreed amounts distributed through the year and forecasts, report P2:3 can be used (ordered per officer. Contributions with status “C” can be deselected if required). In order to monitor agreement conditions, report L105 can be used. Documentation of any adjustments to information is created directly in the PLUS system when the amendment is made; no further documentation is required.

Monitoring in preparation for interim and annual reports

In connection with the final quarterly monitoring every year, it is especially important to check the following:

The programme officer must check that the contribution is linked to the correct appropriation, in good time before preparation of annual accounts. This is done by checking that the appropriation account (see Sida’s chart of accounts) for the appropriation item/frame stated in the contribution decision is registered in the contribution register screen in PLUS. Lists of settlement accounts and contributions can be taken out per officer (use, for example, report “P18:1 Checklist Contribution”). Each contribution must then be manually checked and ticked off one by one.

For correction of settlement account please refer to the chapter on Settlement Accounts.

Appendix 2 Agreement Conditions

Appendix 3 Checklist for Programme Officers

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15. Government accounting

Government agencies' accounting and financial administration are regulated in ordinances. These are compiled in the EA Handbook, which is issued by the Swedish National Financial Management Authority.

Sida's application of the regulations is to be reflected in decisions, policies and procedures in financial administration matters. The Financial Handbook, chart of accounts, and instructions for annual reports are key documents. Also important for applying the regulatory framework are documents and procedures, e.g. agency planning, budget, monitoring, internal control and entertainment.

The chart of accounts and project or agency plan, also called the accounting plan, forms the basis for the structure of bookkeeping. Correct coding of invoices is important for accurate accounting, but also for monitoring and financial result.

The section on accounting concepts describes the difference between costs, expenditure and disbursements.

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General information about government accounting

Government agencies' accounting and financial administration are regulated in ordinances that are compiled in the EA Handbook, which is updated annually by the Swedish National Financial Management Authority.

The Swedish National Financial Management Authority's website, www.esv.se, presents the financial regulatory framework for government agencies in the EA Handbook publication (available in a Web version). The website also contains other documents and publications, as well as questions and answers about government accounting.

Sida's application of the regulations is to be reflected in decisions, policies and procedures in financial administration matters. The Finance Handbook, chart of accounts, and instructions for annual reports are key

documents. Also important for applying the regulatory framework are documents and procedures, e.g. agency planning, budget, monitoring, internal auditing and entertainment.

Sida's accounting

Purpose of accounting

The purpose of accounting is to provide financial information to Sida's stakeholders, primarily:

- Sida's management and other employees
To enable planning and control of the operation, and to improve the efficiency of management of the agency's assets and liabilities.
- The government and the general public
To pass on financial information that shows the agency's development, financial result and financial position, and to show how disposable funds and other authorisations have been used during the period.

Laws and ordinances pertaining to public finance administration largely govern the content and structure of accounting. Government agencies are to follow generally accepted accounting principles, which are also applied in the private sector and other parts of society.

In addition to the external requirements for accounting, requirements of other interested parties (Swedish National Financial Management Authority, Statistics Sweden, DAC, etc) must also be fulfilled.

Sida wants information that increases the ability to manage and audit performance and resources. Therefore, the accounting must be adapted to the special conditions of the agency so that costs and revenues are specified for different operational areas, and form the basis for budgets and financial analysis. In Sida's case, this means for example that we report expenditure and revenues by contribution and component to enable efficient financial monitoring of the contributions.

Chart of accounts and project or agency plan

The basis of accounting is the accounting plan for government agencies, developed by the Swedish National Financial Management Authority. The accounting plan is a model for classifying accounting data and is therefore a tool for good financial management. The plan consists of two parts:

- A chart of accounts for classifying financial events (e.g. purchase of office materials)
- A project or agency plan with the help of which financial events can be assigned to different parts of the agency and its operation (organisational division, component, etc).

Sida's chart of accounts and project or agency plan are continually updated during the year, and are shown on Sida's intranet/Support functions/Ekonomi & PLUS, but is distributed in printed form only once a year. The chart of accounts and project or agency plan shows:

- Up-to-date *accounts* and account titles
- *Organisational divisions* and *function codes*, and *account specifications* regarding counterparts for Swedish government agencies.
- Other concepts (component, activity/contract and account specification) are not shown on the chart of accounts as the codes are con-

stantly changed. These codes are shown in PLUS.

- *Account coding requirements*: Show which accounting concepts are required for a specific coding.
- *Account coding instructions*: Describes the situation when the account is to be used and by whom. Note that a summary of information can often be found in the introduction to an account class or account group.

The *chart of accounts* is part of the accounting plan, and is a plan of how external financial events are to be classified in the bookkeeping. External financial events are transactions between Sida and external parties, such as purchases from a supplier or payment of salaries to employees. Consequently, the chart of accounts applies to the entire agency.

Financial events can usually be assigned to a specific part of the operation. Using the project or agency plan makes it possible to identify use of resources within a certain department, operational area, or similar.

Sida divides the chart of accounts as below.

External events	
Account Class 1	Assets
Account Class 2	Liabilities and agency capital
Account Class 3	Revenues
Account Class 4	Personnel costs
Account Class 5	Costs for premises and residences, other running costs
Account Class 6	Other purchases of services, costs of fixed assets
Account Class 7	Transfers and collections
Account Class 8	Settlement accounts and capital changes for the year
Internal events	
Account Class 9	Internal revenues and costs

Sida's chart of accounts is published annually with updates for the year. The chart of accounts includes coding instructions.

The code thread is composed of six code parts (account, organisational division, function, component, activity/contract and account specification) where coding is done, but not always for all code parts. The chart of accounts shows which code parts are obligatory and which are forbidden to use and combine.

1. Accounts	
2. Organisational division	
3. Function	Distinguishes between development cooperation appropriation and administration appropriation
4. Component	Subdivision under the concept of contribution
5. Activity/contract	Activity where the function indicates administration appropriation. Enables creation of further sub-division of costs, e.g. training costs, or grouping of costs under joint costs. Contract monitoring when the function indicates development cooperation appropriation.
6. Account specification	E.g. personal identity number or corporate identity number for transfers to individuals or organisations.

Generally accepted accounting principles

For government agencies, generally accepted accounting principles mean an obligation to follow the ordinances issued by the government, including the accounting principles relating to agency's accounting. Generally accepted accounting principles also involve following common practices applied by the group of those obliged to keep accounting records who do so in a satisfactory manner.

Generally accepted accounting principles also mean that, for example, the following regulatory frameworks are applied:

- Ordinance (2000:606) on government agency accounting, with regulations and general guidelines issued by the Swedish National Financial Management Authority.
- Ordinance (2000:605) on Annual Reports and Budget Documentation, with regulations and general guidelines issued by the Swedish National Financial Management Authority.
- Appropriation Ordinance (1996:1189)
- Ordinance (1996:1188) on Capital Procurement
- Fees Ordinance (1992:191)

Accounts for a financial year can be regarded as true and fair if, in all significant aspects, they:

- *Are up to date,*
- *Are complete,* i.e. if they cover all financial events that occur in the financial year, and that only these are entered,
- *Comply* with applicable regulations and recommendations,
- *Are comparable* with earlier periods, and
- *Are appropriate* with respect to information needs of the government, the agency, and other interested parties.

Ongoing bookkeeping

The obligation to keep accounts involves continuously recording financial events chronologically and systematically, and ensuring that all accounting items have supporting vouchers.

All payments, payments received, inter-account transfers, and liabilities and receivables that arise, are posted as financial events.

The financial events are to be recorded in chronological order, item by item, by voucher number. Vouchers that relate to similar financial events may be summarised in an entry, as long as it can be clearly identified which financial events are included in such an item.

Payments received and payments are to be recorded continuously, but by the next working day at the latest, and other financial events as soon as possible.

Voucher chain

It must be possible to trace every financial transaction from when it arises to the point at which is finally settled, i.e. from the first occurrence of the financial event to its effect on the statement of financial performance and the financial position as shown in the balance sheet.

Accounting concepts

Expenditure, cost or payment?

In budgets and accounting, it is important to distinguish between the concepts of expenditure, cost and payment. Sida's entire budget involves income and expenditure. In interim and annual reports, Sida must present a statement of financial performance that shows Sida's revenues and costs for the financial year.

Ex) In the following example, it is assumed that a supplier's invoice arrives at Sida on 31 December 2004. The invoice is for a consulting assignment that was carried out in December 2004 and January 2005. The invoice is paid on 31 January 2005. This example applies to the annual accounts, and the expenditure must be allocated between two financial years.

Expenditure	Cost	Payment
The appropriation is settled when the expenditure arises. The expenditure normally arises when a supplier's invoice is received or when a grant is disbursed.	Allocated expenditure, i.e. the expenditure is allocated to the period of time during which the expenditure has been consumed or used.	When payment is made.
Expenditure can apply to several periods of time.		
In this example, the expenditure arose on 31 December 2004.	In this example, some of the cost arose in December 2004 and some in January 2005.	In this example, payment was made on 31 January 2005.

When *allocating* expenditure to two financial years (with the exception of allocation of certain rentals) in the annual accounts, two function codes are to be used that do not affect the appropriation settlement:

- Function 59 for development cooperation appropriation
- Function 99 for administration appropriation

Function 59 is to be used for allocation of expenditure or income that is normally coded with function code 20, and function 99 for costs or revenues that are normally coded with function codes 61 or 66.

Income, revenue or payment received?

In budgets and accounting, it is important to distinguish between the concepts of income, revenue and payment received. Sida's entire budget involves *income* and expenditure. In interim and annual reports, Sida must present a statement of financial performance that shows Sida's revenues and costs for the financial year.

Ex) In the following example, it is assumed that Sida sends a customer invoice on 15 July for services performed in June. Sida's customer pays the invoice on 15 August. This example applies to the interim report, and the income must be allocated to the right period.

Income	Revenue	Payment received
Normally arises when Sida sends a customer invoice. Income can apply to several periods of time.	Allocated income, i.e. the income is distributed into the period of time during which the income was accrued or earned.	When payment is received.
In this example, the income arose on 15 July.	In this example, the revenue arose in June.	In this example, the payment was received on 15 August.

Accounting material

Vouchers at Sida Stockholm

Filing of vouchers and other accounting materials at Sida Stockholm is described in the current Case and Document Management Plan.

Vouchers at embassies/section offices

Vouchers are to be stored in lockable cupboards or rooms.

Vouchers are to be filed in consecutive numerical order according to the applicable number series for accounting in Simba/PLUS.

Vouchers that are cancelled in Simba/PLUS are to have voucher documentation containing the text “cancelled”, and are to be filed in the same way as other vouchers.

When an inter-account transfer is made, a cross-reference is to be made on the original voucher with voucher number (see also the chapter on rebooking/inter-account transfers).

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16. Internal control

Internal control is defined as routines that ensure that the agency exercises full control over its financial processing and management.

Internal control must ensure that accounting is correct and complete, that assets are protected, that intended or accidental errors are not made and that resources are distributed in accordance with management intentions.

This system also protects the employee. No one individual is to bear sole responsibility for accuracy and checking of a financial event in all its stages.

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Why does Sida need efficient internal control?

According to Section 4 of the Government Agencies Ordinance (2007:515), the agency's management is to ensure satisfactory management and control within the agency.

Every year, Sida makes a very large number of disbursements to suppliers and recipients (for example, Sida in Stockholm makes more than 20,000 payments). More than SEK 16 billion is paid to suppliers and development cooperation recipients. In addition there are salary payments and other payments for employees. Consequently Sida must make sure that there are reliable procedures in place for internal management and monitoring as well as audit systems and mechanisms for good internal control of the operation.

A good internal control system in financial administration counteracts any faults or errors in accounting, financial reports or documentation for decision-making.

Good internal control can prevent both accidental and intended errors. Accidental errors are often easy to catch with efficient procedures. Deliberate errors can be prevented with a sophisticated checking system and careful division of responsibility.

Internal control is also intended to protect the employee. No one individual is to bear sole responsibility for accuracy and checking of a financial event in all its stages.

What is internal control?

The concept of internal control can be defined as all the factors in the operational organisation plus all the instructions and procedures aimed at securing

- Correct, complete and applicable information
- Compliance with policy, planning, instructions, legislation and regulations
- Protection of assets

A characteristic feature of internal control is a well-considered and successful division of tasks and responsibilities. Approval and reporting systems must be appropriate. For example, one person must not be solely responsible for the managing a transaction in all stages of the process. Everything from opening of post to disbursements must be dealt with by different individuals or departments.

Good internal control is achieved through a suitable combination of general checks, e.g. division of tasks and responsibilities, protection against unauthorised access to registers and programmes, and various checkpoints built in to systems and procedures. Such routine-oriented checks may be carried out manually, programmed into e.g. PLUS, or can be a combination of manual and programmed checks. Their primary aim is to ensure that full, correct and only properly authorised transactions are processed.

Examples of internal control at Sida

- **Organisation and distribution of responsibility and authority is such that there are clear, observable areas of responsibility.**

At a general level, Sida's authorisation and delegation model specifies the analyses that have been carried out for Sida to live up to clear division of responsibility and authority for each department and division. This model requires that departments and divisions, or embassies/section offices, carefully consider how to break down areas of responsibility to divisions and individuals in a clearly defined manner.

- **Individuals who take decisions or carry out certain tasks have access to the necessary information and resources to enable them to carry them out in a proper manner.**

From a financial administration perspective, this means, for example, that Sida must ensure that managers and officers are properly authorised in PLUS to look for information and register contributions, agreements, contracts etc. In addition, sufficient resources in the form of work time for managers and officers need to be devoted to these issues and there must be sufficient support staff, in the form of financial officers, controllers and assistants, available at the divisions and departments or embassies/section offices.

- **Personnel have the right competence for their tasks.**

For Sida this means that all managers and officers involved in financial administration have been trained in the use of the PLUS system and studied the entire Finance Handbook, as well as learning rel-

evant parts in detail. In addition, good levels of knowledge of Sida's overall policies, action programmes, etc. are assumed. When recruiting or promoting an employee, every manager must ensure that the employee already has sufficient competence or that this is acquired through training.

- **The operation is continuously monitored and all deviations from the norm are analysed and documented.**

In Sida's case, much of the responsibility rests on procedures for financial monitoring of contributions and procedures for disbursements. Furthermore, managers authorised to use the administration budget must take measures to ensure efficient monitoring of administration costs.

- **Accounting is systematically structured and well documented.**

At Sida, EVU/Ekonomi bears special responsibility for ensuring that the structure of the accounting system is sufficient to meet both in-house and external information needs. All departments and divisions are responsible for documenting financial events (including financial monitoring of contributions) and for conducting analyses in accordance with the established regulations for different procedures.

- **Ensuring that appropriate procedures are applied for reporting payments received and payments.**

The booklet "Administrare necesse est" summarises the requirements Sida has set up as appropriate routines.

- **Control of bank accounts at embassies**

The administration officer is to regularly make random checks of items on bank statements against bookkeeping and supporting vouchers. This check is to be documented with a signature on the bank statement. Embassies are not to hold more local currency than that required by the operation, in order to avoid currency fluctuations. Large amounts intended for development cooperation disbursements are not to be transferred until the embassy has received a request and this has been approved for payment. Embassies are to try to ensure that disbursements are made at the same currency rate as when the funds were transferred.

- **Control of cars at embassies**

Vehicle journals for official cars are to be kept, with monthly monitoring and documentation of fuel consumption/km and other costs for each vehicle. Printed vehicle journals can be ordered from EVU/Ekonomi/Embassy Group. The administration officer is to be familiar with prices in the country and make random checks of prices direct from suppliers for goods such as spare parts for vehicles. Private use of official cars is to be recorded and regulated according to the official regulatory framework for embassies (Regulations for foreign administration).

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17 Payments received/Refunds

Payments received include refunds of balances, grants from other agencies, amortization of loans, interest, grants received in co-financed projects.

It is important that departments and divisions inform EVU/Ekonomi of expected payments in to Sida, so that payments received can be identified and posted to the right account.

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General payments received

Payments received by Sida are mainly repayments of balances, interest from contributions, amortization of loans, and grants received in co-financed projects. Other types of payments may also be received that are related to travel, salaries and pensions. Sida manages two different payment flows, so it is important that payments received are posted to the right account. In order for EVU/Ekonomi to identify payments received, it is important that EVU/Ekonomi is notified of all impending incoming payments.

Note that interest may not be retained by the project or by Sida, and should be paid in and entered against revenue title on the government budget.

Consult EVU/Ekonomi if you are uncertain about which account applies for payments received.

Refunds

The department/division that is requesting refund, or that knows of an incoming payment to Sida, is to:

1. Inform EVU/Ekonomi in writing on a special form, or in the form of an e-mail or copy of a letter with a request for refund/notification of payment received. The form is to serve as documentation for book-keeping, and is to include the following information:

- Payer
 - Amount
 - What the payment is (when a payment received concerns interest that is refunded to Sida, EVU/Ekonomi must be especially informed, as interest does not fall to Sida but to the public administration as a whole, and is entered as income)
 - It is very important that the entire account thread is filled in correctly (account, organisational division and contribution/component).
2. Check that the contribution/component that is to be credited has the correct status and valid agreement period in PLUS.
 3. The divisions/departments are responsible for checking that expected incoming payments do reach Sida. The payment must be checked in the Financial System. EVU/Ekonomi does not monitor/report back on expected incoming payments.

Entering refunds

Sida agreements often state that unused funds are to be refunded to Sida. When the recipient of the grant repays funds, they are to be returned to the contribution from which they were originally deducted and thereby posted to the appropriation item from which they were deducted. If the original contribution has ended, it is nevertheless important to identify which appropriation item was charged when the grant was disbursed. The payment received can then be shown on a special contribution for payments received. This contribution must have the same settlement account (i.e. the same appropriation item is credited to the appropriation) as the original contribution.

In those cases where it is not possible to identify the contribution from which the payment was made, or in those cases where Sida no longer has access to a certain appropriation item, the funds must be returned to a revenue title (see above). Refunds can be made to an appropriation item even if it has changed title, but the purpose is the same.

To summarise, previously disbursed funds are to be repaid:

- Back to the contribution
- Back to the appropriation item/settlement account
- If the appropriation item is not accessible to Sida, back to the revenue title.

EVU/Ekonomi has binders where it is possible to look for disbursements in old contributions. The voucher numbers for disbursements can be found, and this information will allow the system administrator to search in the historical database.

Sida is not to pay back funds to a revenue title simply because we cannot find the right contribution. It is the department/division's responsibility to find it.

It is important not to conclude contributions in PLUS before all events according to the agreement have taken place. It is the duty of the programme officer and the division to ensure that everything stipulated in the agreement is received on time.

Sometimes Sida has received funds according to a special government decision where it is stated that any remaining funds are to be paid, possibly refunded to the Government Offices. In these cases, payment is to be made to the Government Offices, and contribution or revenue title is not to be credited as above.

Collection – revenue heading

Collection means collection of taxes and similar financial events that comprise payments where Sida only collects and reports funds on behalf of the government. Collection includes revenues that have no direct connection with the agency's production of goods and services. Sida reports these funds against a revenue heading. A revenue title is an item on the government budget for revenue that the agency may not use. When Sida receives such revenue, it is to be delivered to the public treasury and posted to the applicable revenue title on the national budget. The agency only collects the payment and reports the funds on behalf of the government.

Sida is entitled to settle the following revenue titles on the government budget:

- 2394 Other income from interest
- 2511 Service charges
- 2535 Fees for government guarantees
- 2811 Other income from government income
- 4526 Repayment of other loans

The following revenues are reported under the respective revenue title:

- 2394 Interest for soft loans and conditional loans. Posted to account no. 7813.
- 2511 Service charges, e.g. visa fees that are handled by the embassies. Posted to account no. 7812.
- 2535 Fees that the borrower of a soft loan pays to Sida via Nordea. Posted to account no. 7810.
- 2811 Interest that Sida does not use. Interest from Sida's bank accounts; e.g. embassy bank accounts are posted to account no. 7811, interest from foreign and Swedish organisations is posted to account no. 7812, as are refunds of previously disbursed project funds (see below).
- 4526 Repayment of soft loans and conditional loans. Posted to account no. 16118 or 165X8.

When an account in Account Group 781 is coded, the above revenue title accounts are automatically coded in Account Group 152. Account no. 7910, 'Funds posted to government budget for collection activities', is also automatically coded.

For amortization of conditional loans and soft loans, coding to account no. 16118 'Amortization of soft loans' and account no. 16578 'Amortization for the year' must correspond with automatic coding to revenue title 4526. This involves settling account no. 1526 'Amortization of soft loans' and account no. 1524 'Amortization of conditional loans' with contra account 291X 'Government capital'.

Other payments received

It is important that EVU/Ekonomi is notified of all types of expected incoming payments.

Incoming payment accounts at Sida

Payments to Sida are to be made to the following incoming payment accounts:

- To Plus giro account no. 15634-9 for development cooperation appropriation (function 20), and
- To Plus giro account no. 954016-2 for administration appropriation (functions 61 and 66)

Payments from abroad

For payments from abroad, the following information is to be given:

Nordea Bank Sverige AB (publ)

S-105 06 STOCKHOLM

Sweden

SWIFT/BIC:NDEASESS

IBAN No:

SE91 9500 0099 6034 0015 6349 (if the revenue is to posted to function 20)

SE73 9500 0099 6034 0954 0162 (if the revenue is to posted to function 61/66)

Payments at embassies/section offices

All revenues paid in at embassies/section offices are to be recorded, and the receipt number shown in consecutive numerical order in the accounts. Receipt pads can be ordered from EVU/Ekonomi/Embassy Group.

Receipts are issued in numerical order, and must be signed by the authorised recipient.

When a new receipt form is received, check that no receipt number is missing in the series.

Receipt number is to be shown in the accounts.

Receipts are to be stored in a safe, and managed securely by an authorised officer.

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18. Petty Cash

Petty Cash must be used restrictively.

All petty cash at Sida HQ are closed.

Embassies/Section offices are still using petty cash.

The cashbook is to be entered in PLUS/Simba and regularly reconciled.

The cash fund must not be larger than what is reasonable in view of the fact that cash payments are to be made restrictively. Embassies should primarily try to ensure that payments are made via a bank.

Embassy/section offices may have a Contingency Fund. This is a liquidity buffer for use in emergency situations. This cash fund is regulated in the Ministry for Foreign Affairs security handbook.

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Payments from Petty Cash

For all payments from Petty Cash the following is required:

- The original receipt must be attached to a piece of A4 paper or equivalent document.
- The purpose of the purchase/expenditure plus type of goods must be clearly stated in the documentation.
- Every payment must be account coded by the cashier.
- The recipient must sign for the received amount on the documentation that forms the basis for payment.

When the purchase or expense includes VAT, the VAT must be account coded separately.

Refilling Petty Cash

Payments from Petty Cash are recorded in a cashbook by the following day at the latest. When the Petty Cash needs refilling, the period's recorded payments are added together. The Petty Cash is then refilled with the total amount of the period's withdrawals. The running total, with attached vouchers, will then form the basis of a new payment to the cashier through the suppliers' ledger system. The relevant head checks the paperwork and signs the new LR form.

Inventory

An inventory of Petty Cash must always be done for interim and annual accounts. The original document that is prepared and signed in this inventory must be attached to Sida's interim and annual reports. Apart of the inventory carried out for the annual report, the main cash fund and Petty Cash are checked irregularly and without notice at least twice a year by the administration officer. The administration officer is to document the inventory in the cashbook.

Storing the Petty Cash

Petty Cash, vouchers and continuous records must be kept in a secure manner. The head of adm is responsible for ensuring that Petty Cash is stored in such a manner so as to prevent theft.

Management of cash in general

Cash transactions are to be recorded manually in a special cashbook (not Excel file) each day.

Any corrections in the cashbook are to be signed by the person responsible for the cash fund, and this must be done in such a way that the original entry is still visible.

Contingency fund at embassies/section offices

Embassies/section offices may have a Contingency Fund. This fund is regulated in the Ministry for Foreign Affairs Safety/Security Handbook.

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19. Planning, monitoring and forecasts

The purpose of agency planning is to create a common view and clarity in Sida's management in terms of priorities and expected results during the coming year.

Agency planning is based on the government's priorities as formulated in the Budget Bill and Letter of Appropriations, and Sida's internal strategic priorities. Approved cooperation strategies are also an important part of agency planning.

Monitoring and forecasts are important for both the internal monitoring of plans of operation and budgets and for external stakeholders, where forecasts are to be submitted to the Ministry for Foreign Affairs and the Swedish National Financial Management Authority several times a year.

Monitoring in itself also comprises part of internal control, to ensure that the operation follows Sida's plans and procedures.

Forecasts and monitoring in Sida have become increasingly important, partly because of expenditure limits that have been placed on Sida.

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General agency planning

Agency planning is a process that covers planning, monitoring and reporting of the operation, finances and personnel. These three parts are connected to form a whole. Planning of the coming year's operation is mainly done during the autumn in the embassies' country plans and Sida Stockholm's plan of operations. The country plans implement the cooperation strategies into operations over a one-year period. The operation is monitored continuously during the year through analysis of outcome, financial forecasts, monitoring of goal matrices, and dialogues between the departments and EVU/ekonomi. See applicable documents on the intranet that concern Agency Planning.

The purpose of agency planning is to create a common view and clarity in Sida's management in terms of priorities and expected results for the coming year. Agency planning is based on the government's

priorities and Letter of Appropriations, and Sida's internal strategic priorities. Cooperation strategies adopted also comprise a substantial part of agency planning. EVU/ekonomi has overall responsibility for coordinating Sida's plan of operations. The work is carried out in accordance with a schedule prepared by EVU/ekonomi.

Sida's model for agency planning is based on *management by results*. Management by results largely involves following-up and providing feedback on results attained. Regular monitoring of the operation provides information on which the management can base decisions on improvements and changed priorities in the operation. The monitoring also comprises a natural part of the input values for the following year's agency planning.

Sida Stockholm uses a results matrix in its planning. Sida Stockholm's operation is monitored in the structure used in the results matrix. In the results chain, Sida uses the concepts of goal, result and activity. The following table shows the structure of the results matrix, with definitions, responsibility and time perspective.

	GOAL	RESULT	ACTIVITIES
Definition	Goal according to Government Decision	What is to be achieved one year ahead.	How the result is to be achieved.
Responsible for production/ formulation	Government	- Director-General - Working committee responsible for certain appropriation items	Department Division
Owner	Government	Director-General	Working committee
Time perspective	Long term	One year	One year

Sida has been running a project about management by results in 2007, and the result will be implemented in 2008.

Monitoring is at result level using indicators: status of result/indicator is to be reported with comments on deviations.

The cooperation strategies, and thereby the country plans, will eventually contain result matrices that are monitored in the country reports. Most countries currently lack result matrices.

Financial monitoring takes the form of written forecasts for development cooperation and administration appropriations, as well as dialogues between EVU/Ekonomi and the departments. Monitoring is conducted according to the time schedule that is enclosed with Sida's adopted plan of operation, and forms the basis of decisions about any changed priorities in the operation at implementation level.

Monitoring and forecasts

Sida submits forecasts by appropriation item for the current and coming year to the Ministry for Foreign Affairs five to six times a year. The dates are shown in the Letter of Appropriations. Comments on the forecasts are to be included. On request, forecasts are also submitted three to four times a year to the Swedish National Financial Management Authority. These forecasts are to be divided by month and are to include comments.

Continuous forecasts for the development cooperation appropriation are made by department and appropriation item when *requested by the Director-General*. The forecasts are supplemented twice a year by dialogue meetings between EVU and each department. The forecasts are made according to a schedule and on templates from EVU/ekonomi, which compiles the forecasts into an overall forecast for Sida.

The *internal purpose* of the forecasts is to:

- Enable full use of the appropriation through temporary redistribution of funds to appropriation items/departments where they are most beneficial during the year.
- Maintain control over Sida funds in a consistent manner so that the Director-General and the management group have good information on which to base decisions.
- Fulfil requirements for internal control.

The *external purpose* of forecasts is to:

- Enable the submission of credible forecasts to the Ministry for Foreign Affairs and the Swedish National Financial Management Authority. Sida reports to the Ministry for Foreign Affairs five times a year. The forecast, divided by month, concerns the administration appropriation and the development cooperation appropriation (by appropriation item), and yearly forecasts for 2008-1010. The equivalent is reported to the Swedish National Financial Management Authority.
- Facilitate and assure the quality of the financial content of the annual report.

*The head of department is responsible for the content of the department's administration forecast, and for the content of the entire appropriation item that is delegated from the Director-General to the head of department. The head of department is to sign the forecasts (cc on mail suffices as signature). Each department has one *contact* person for the administration appropriation and one for the development cooperation appropriation; these contact persons are responsible for reporting the forecasts to EVU/ekonomi.*

A full-year forecast is a well-supported assessment of the *expected appropriation outcome* at the end of the year, i.e. not planned disbursements. The forecast is based on outcome up to that point (the forecast submitted in May is based on outcome up to and including 30 April) and an assessment of the future based on knowledge about and experience of the operation. The forecast is to be realistic and critically reviewed. A forecast is expressed in SEK thousand (administration) or SEK million (development cooperation) and includes comments. Note that the forecast is based on outcome and not disbursements, and is to be the expected net result of disbursements and any payments received. For the administration appropriation, the forecast no longer needs to be registered in PLUS, but EVU recommends that the forecast is entered in PLUS.

A forecast is not the same as a budget. (Example: if a department's administration budget is SEK 50,000 thousand, but it transpires that a planned position is not filled during the year, the forecast is 50 000–750 = SEK 49,250 thousand). A forecast is not to include, or take into account, desired savings. (Example: if the department above wishes to carry forward a saving of SEK 750 thousand to the following year, the forecast is nevertheless given as SEK 49,250 thousand.) Co-financed contributions are to be excluded from forecasts, i.e. the forecast is only to cover Sida's appropriation.

How Sida works with forecasts

Appendix 4

Contact: Anna Rinaldo, ext. 5454

20. Rebooking/Inter-account transfers

Rebookings/Inter-account transfers involve entering transactions in order to correct mistakes and distribute costs/revenues, and transactions relating to the annual accounts.

Inter-account transfers are used to correct accounting transactions that are incorrect. This may concern corrections of account number, organisational division, function code, amount, etc.

Inter-account transfers are also used to distribute costs internally between different divisions.

Inter-account transfers are used for special transactions when preparing annual accounts, such as when a cost is to be allocated over more than one financial year.

It is important that there is always documentation that shows why the inter-account transfer has been made and who has done it. The inter-account transfer forms a supporting voucher.

If the inter-account transfer concerns correction of another voucher, cross-reference is to be made between the correction's voucher number and the original voucher.

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1. Corrections

Correction of accounting entries is regulated in Section 12 of the Accounting Ordinance. It must be stated exactly when the correction has been made and who made it. The inter-account transfer is stated on a RE form and must always be based on accounting documentation. In corrections, reference must be made to the original voucher(s). The accounting documentation must also show what the inter-account transfer concerns. The documentation could take the form of a computer list from the financial administration system or a description of the calculations or similar. Reference must also be made to the original voucher and to the inter-account transfer voucher.

A cross-reference must be made, i.e. the original voucher number must be stated on the correction voucher, and the correction voucher number must be recorded on the original voucher.

Requirements for inter-account transfer

- An RE form must always be used.
- Remember to write detailed voucher text. If this is a correction of another voucher, reference must be made to the relevant voucher number. Note that if the voucher is an invoice then reference must be made to the 23 number. It is not possible to correct voucher texts later. Write the most important first, maximum 27 characters.
- If possible, correct the original amount instead of combining several amounts to one new total. This facilitates searches and different checks.
- Write a clear explanation in the box at the bottom or enclose another sheet, as to why the inter-account transfer has been made. This will make life very much easier in the future for someone who may wonder what was done and why.
- If it is a correction, the incorrect voucher must be found. On it, write *how* it has been changed and the voucher number of the correction. This minimises the risk of someone else finding the same error and correcting it again.
- Before making an inter-account transfer, a check should be made of the registration in the PLUS system. Occasionally the account coding is correct on the form but has been registered wrongly in PLUS.
- Remember that all account coding concepts must be stated when a correction is made. For example, if an activity is stated in the original account coding then this must also be stated in the correction.
- Keep inter-account transfer vouchers in a binder arranged in voucher number series. The inter-account transfers are placed in voucher number order. The department must know where this binder is kept.
- The divisions that do not register their own inter-account transfers must check that the period for the component and, where applicable, activity (contract) has a valid status in the planning system before the RE form is submitted to EVU/Ekonomi for registration.

Voucher number series

The voucher number series used at Sida is as follows:

- 03 Cash vouchers
- 04 Accounting orders
- 10 Other cash transactions
- 23 Definitive entries, supplier invoices
- 28 Interim entries, supplier invoices
- 31 Customer invoices
- 91 Import salaries (Palasso)
- 93 Import embassies (Simba)
- 95 Direct accounting, embassies

It is good to know whether to look for an entered transaction in the financial system or via the actual voucher. The vouchers are filed in numerical order in binders for each series.

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21. Responsibility and delegation

There are three central concepts in Sida's responsibility and delegation model.

- 1) Decision-making rights involve the right to make decisions associated with each position. This is regulated in the standing orders (ABS). Decision-making rights can be delegated.
- 2) Right of disposal involves the right to enter into financial undertakings such as agreements, and to disposal certain appropriations. The Director General makes decisions annually about delegation of right of disposal regarding appropriations and other financial authorisations.
- 3) Right to issue payment instructions is part of the right of disposal, and means the right to order payment. Payment is ordered by approving a payment instruction, i.e. signature on an LR form.

Most of Sida's financial events are based on decisions, so it is important that decisions are correctly formulated. Decisions are of central importance when they are linked to Sida's financial undertakings.

Heads of departments and other units with the right of disposal normally also have the right to order payments – the right to issue payment instructions. They are entitled to delegate and transfer the right of disposal.

Heads of departments and other units must ensure that funds are used in a cost-efficient manner, and ensure that financial follow-up and reporting take place.

Payments are always to be approved/ordered by two different people.

Approval involves checking and confirming factual information, and comprises a signature on the LR form.

General

The government allocates appropriations to Sida in the form of right of disposal via the annual letter of appropriations and other government decisions.

The letter of appropriations also allocates authorisation to Sida about certain appropriation items, giving entitlement to decide on future expenditures that are to be financed with appropriations not yet awarded to Sida.

Sida's standing orders regulate overall principles for delegation of decision-making rights and delegation of the right of disposal.

Delegation means that responsibility and authorisation is transferred from the Director General to the heads of department who, in turn, delegate authorisation further.

Concepts relating to financial responsibility and how decisions on delegation are made are described in the Regulation on Delegation of Financial Responsibility.

Sida's current *letter of appropriations* and all government decisions can be found on the website of the Swedish National Financial Management Authority (www.esv.se), see the short-cut to the State Ledger.

Decision-making rights, right of disposal, and right to issue payment instructions

Decision-making rights involve the right to make decisions associated with each position. This is regulated in the standing orders (ABS). Decision-making rights involve authorisation to make decisions in the areas specified in the standing orders. Managers with decision-making rights can delegate these rights. Officers to whom decision-making rights have been delegated cannot delegate the rights further.

Right of disposal involves the right to enter into financial undertakings such as agreements, and to dispose of certain appropriations. The Director General makes decisions annually about delegation of right of disposal regarding appropriations, and other financial authorisations. The right of disposal includes the right and obligation to approve payment instructions.

The right of disposal involves the following, to the extent and on the terms, shown in the delegation decision:

- Decide on contributions and enter into agreements on contributions.
- On the basis of decisions on contributions, decide on and enter into agreements regarding grants or credit, purchase, rental, or leasing of goods and services, or take other action that entails expenditure for Sida.
- Decide on and make agreements on changes in the actions.

The right to issue payment instructions involves the right to approve payments. An officer with the right of disposal also has the right to issue payment instructions. However, the right to issue payment instructions can be delegated.

Delegation of right of disposal

Written decisions are required for the delegation of:

- Right of disposal, i.e. the right to dispose of allocated funds for the intended purpose.
- Authorisation to prepare, make decisions on, and/or enter into agreements on contributions.
- Approve payment instructions.

Decision templates are:

- Decisions on right of disposal
- Decisions on contributions
- Decisions on tasks
- Decisions on mandate

The templates are found in Word under *Mallgrupp o mall/Blanketter & formulär/Beslut om ekonomisk delegering*.

The head of department can delegate the right of disposal to:

A head of division in the department

An officer in the department

Another head of department

A head of division in another department

An embassy

The head of division can, in turn, delegate the right of disposal to:

An officer in the division

An embassy

Decisions on delegation of right of disposal for appropriations are made on the form “Decision – delegation of right of disposal”.

A copy of the decision on delegation of right of disposal must be sent to the EVU/Ekonomi together with sample signatures (original).

In Sida, the right to approve payment instructions can also be delegated (see section “Approval procedures at Sida”, which means the recipient is authorised to approve payment instructions instead of the holder of the right of disposal.

Decisions on the approval of payment instructions are also documented on the form “Decision – delegation of right of disposal”. Sample signatures (original) must be sent to the EVU/Ekonomi together with a copy of the decision.

Approval procedures at Sida

In Sida all payments must be approved by at least two officers; this procedure involves confirmation and approval of payment instruction. This is to ensure good internal control.

Approval is to be signed by the person who has received ordered goods or services, or who otherwise is best familiar with the circumstances concerning the payment documentation. Approval means confirming certain facts before a payment. Approval means that the officer initials the LR form. Before signing approval, the officer is to check that:

- Information about goods/services, quality, price and payment terms correspond with the order and delivery.
- The officer with the right of disposal has approved the financial event.

The right to issue payment instructions is held by the officer with the right of disposal or by the officer delegated the right to issue payment instructions via a decision. The EVU/Ekonomi is to keep on file copies of decisions on delegation of the right of disposal and any delegation of the right to issue payment instructions, as well as signature samples. The

right to issue payment instructions means that the officer signs the LR form. When issuing payment instructions, the officer is to check that:

- The payment complies with applicable agreements or equivalent
- The recipient has fulfilled relevant agreement terms, such as reporting
- Payment is not being made earlier than justified by the recipient's need for funds
- The rest of the payment documentation is correct and complete (carry out the checks described in the chapter "Payments")
- That the payment relates to, and there is capacity within, allocated right of disposal
- That the facts have been checked (approved)

Right to issue payment instructions relating to the officer's own costs

An officer may never make a decision or sign a payment order relating to his/her own costs, or those of relatives or close friends.

Right of disposal or other authorisation may not be delegated to a person affected by the decision. However, the standing orders state that the Deputy Director General, the Planning Director and deputies for heads of department and head of secretariat can make decisions about their superior's travel, entertainment and expenditure.

Responsibilities of managers

Rights

- The right of disposal is usually accompanied with the right to order payments: the *right to issue payment instructions*.
- The right to delegate and transfer the *right of disposal*.

The person with the right of disposal is entitled to make decisions on the disposal of funds, and is entitled to delegate the right of disposal to managers, project managers and officers.

Normally, the head of division, but also other officers, can be given the right of disposal. The person delegating this right must ensure that the recipient has the necessary expertise and sense of responsibility before such delegation takes place. In addition, good internal control must be ensured.

Deputies and the right of disposal

Deputies are shown in the department's/division's rules of procedure or in special decisions (about, for example, holiday substitutes). The same procedure applies as for right of disposal.

Delegation of right to issue payment instructions to managers and officers

Holders of right of disposal can delegate the right to issue payment instructions separately to managers and officers, if the recipient in question has the necessary financial administrative competence. This right may not be delegated further.

Like the right of disposal, the right to issue payment instructions applies for a specified funding frame and a specific purpose.

Obligations and responsibilities

The manager is to ensure that:

– The funds are used in a cost-efficient manner

In all activities, cost-efficiency is to be assessed, and different solutions compared. Procurement is normally via a competitive situation.

Payments are to be made in line with funding needs in the contributions that Sida finances. If possible, Sida is to compensate cooperation partners retroactively for costs.

– There is financial follow-up and reporting

Financial follow-up of the contributions for which an officer is responsible is a natural and obligatory work task for everyone. The same procedure applies for both Sida-S and embassies.

The purpose of follow-up is to ensure that Sida does not pay out more than the sums stated in agreements and decisions, and that there is always up-to-date and correct information to form the basis of decisions and reporting.

The financial follow-up of contributions can be divided into two parts:

- Check that all payments out and in, and inter-account transfers, are entered correctly. Follow-up is to take place every month.
- Check that all other information in PLUS is correct, including agreement amounts and forecasts. Follow-up is to take place every quarter.

The head of division decides the officer responsible for each contribution. The head of division is to ensure that there is always an officer responsible for every contribution that Sida finances.

For further details, see the chapter on “Financial follow-up of contributions”.

Classification and registration in PLUS is done correctly

Every department/division is responsible for the accuracy of financial and statistical input data when it is registered in PLUS or submitted to the EVU/Ekonomi in the form of payment documentation.

Disposal of PLUS is *obligatory* for all Sida’s contributions.

The head of the department/division that has right of disposal is responsible for the accuracy of the information in PLUS. Nobody is allowed to register information about contributions for which they do not have the right of disposal, without the approval of the holder of the right of disposal.

The head of division is responsible for ensuring that each officer is sufficiently skilled for working in PLUS.

The persons with right of disposal or right to issue payment instructions have been instructed

When the head of department/division has decided who is entitled to issue payment instructions (order payments), a copy of the decision, together with a sample signature, is to be sent to the EVU/Ekonomi.

On this matter, it should be noted that the EVU/Ekonomi only keeps on file sample signatures in order to conduct random checks and audit reviews. *The head of each department/division must ensure that coding and other financial input data is correct and signed by an authorised member of staff.* A

suitable way to ensure this is by appointing one person per department/division to review the quality of all payments before they are submitted to the EVU/Ekonomi. This check should also include ensuring that the person issuing the payment instruction only does so within the frames authorised in the delegation decision.

Persons approving financial documentation have been instructed

Approval = Confirmation that certain facts are correct before a decision on issuing payment instructions.

Every officer who can confirm something that is relevant before a decision on issuing payment instructions is obliged to submit approval on request.

This means that the person approving the facts has either checked that the goods or services have been supplied and approved, or that another person has carried out this check.

The obligation to approve is not linked to the right to issue payment instructions.

Documentation for interim reports and annual reports is prepared according to guidelines

When preparing interim and annual reports, heads of department/division are specifically responsible for ensuring the following:

- That each division has personnel for the extra work tasks arising from interim and annual reports, and that decisions are taken to delegate responsibility in the absence of regular personnel.
- That any invoices received that have been incorrectly addressed to the department are immediately sent back to the EVU/Ekonomi for correction by the organisational division.
- That outstanding advances are settled and minimised (this is to be done continuously during the year, but a special check is made in conjunction with interim and annual reports).
- That reconciliations, prepared in accordance with the EVU/Ekonomi guidelines for interim and annual reports, are submitted.
- That all invoices relevant to the period are approved and are submitted to the EVU/Ekonomi by the applicable date, in accordance with the EVU/Ekonomi guidelines for interim and annual reports.
- That, in accordance with the EVU/Ekonomi guidelines for interim and annual reports, documentation relating to accrual accounting is prepared, co-financed contributions are reported, contingent liabilities are reported (credit, loans, guarantees, etc), forecasts are correctly reported in PLUS, and that the right settlement account is linked to all contributions.

Administration forecast

The head of department is responsible for the content of the department's administration forecast, and for the content of the entire appropriation item that is delegated from the Director-General to the head of department. The head of department is to sign the forecasts (cc on mail suffices as signature). Each department has one contact person for the administration appropriation and one for the development cooperation appropriation; these contact persons are responsible for reporting the forecasts to EVU/Ekonomi.

In addition, heads of department/division are specifically responsible for the following when annual accounts are being prepared:

In accordance with the EVU/Ekonomi guidelines for annual reports,

- Prepare documentation for specification of financial terms written in the letter of appropriations or other government decisions (of the type “Sida may disposal a maximum of SEK XX for)
- Ensure that committed and non-committed reservations and outstanding commitments are correctly reported in PLUS through correct management of distributed agreement amounts, agreement periods, and contribution status.
- Prepare statement of financial performance by operational area and region (the guidelines show which department is responsible for which operational area and region) and provide documentation for reporting as prescribed in the letter of appropriations.

Additional responsibilities at embassies/section offices

There are to be decisions at each embassy/section office about:

- Who holds the right of disposal and the right to issue payment instructions. Copies of decisions and samples of signatures are to be sent to the EVU/Ekonomi before each new fiscal year, and if changes are made during the year.
- Who is entitled to sign for embassy bank accounts in local commercial banks.
- Who is authorised to enter into agreements about the flow of funds to local bank accounts that receive transfers from Nordea accounts.
- What ceilings apply for every transfer of funds to local bank accounts (upper and lower limit for the size of the main bank account).

Appendix 1. (Guide delegation of financial responsibility)

Contact: Christina Sandberg ank 5066

22. Revenues from grants and fees

Sida can receive grants, also called external funds, from other authorities (often the Ministry for Foreign Affairs) for special purposes.

Starting in 2008, contributions financed with grants are to be linked to a settlement account in Account Group 234.

Sida is entitled to charge for certain services and goods – this is revenue from fees. An example is rental of premises.

Revenue normally entered in accounts in Account Class 3 if it is operational income, and in accounts in Account Class 7 if it is to be settled against development cooperation appropriations.

For information concerning refund of project funds and payment of collection (revenue headings), see the chapter on Payments received/Refunds.

For information concerning co-financed projects, see the chapter on Co-financed Projects.

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Grants received (external funds)

Grants are funds that a donor (governmental or non-governmental) awards to Sida without requiring anything in return.

If the Government (or another authority) decides to award Sida a grant for executing a special task, Sida cannot use funds from a certain appropriation. Instead, Sida may request the funds from the donor in question. These funds are reported as external funds.

It has become more common for the Government to decide on special tasks or project funds in this way, because two agencies can no longer share an appropriation item on the Government budget.

Grants (external funds) may also be received from other donors than the Government.

Entering grants received (external funds) in the accounts

Once a decision is made on grants received, the programme officer is to ask EVU/Ekonomi to set up a special settlement account in Account Group 234. The contribution in question is then linked to this settlement account. If the incoming payment is to be allocated to a specific component, a component (01) must be set up for corresponding external funds received. The sum is entered as a minus (credit) because it is to be paid in to Sida.

When the grant is paid in to Sida, it is reported as revenue from grants, but is entered as a liability directly and automatically in Account Group 234. The liability is reduced as payments are made relating to this grant. The current liability, or how much of the grant remains, can be found by looking at the project or by looking at the balance of the account in question in Account Group 234.

If costs arise before grant funds have been requested, a receivable arises. This also applies if payments exceed the amount received. When preparing interim or annual reports, such a receivable must be transferred to a receivables account (account no. 1245 for non-governmental donors and account no. 1265 for governmental donors). EVU/Ekonomi handles this transfer.

Costs for contributions financed with external funds are entered in the same account as if the contribution were funded with appropriation funds. The difference is that automatic coding ends up in the relevant account in Account Group 234 with counter account coding in the accrual account 3619 or 7018–7019.

Example of settlement procedure (automatic coding) when a cost is settled with external funds

D/C	Account	Org	Fu	Comp	Acc.spec	Amount	Title
D	7018/19	XXX	XX	XXX	X (acc)	100,000	Settlement, external funds
C	234XX					100,000	Accrual, external funds

Searching for a grant-financed contribution

Note that a search for the relevant contribution in PLUS at present shows remaining funds, and not funds disbursed.

In order to see the amount of external funding disbursed, the search must be by contribution in combination with account.

Guidelines explaining how to search for external funds will be prepared in 2008.

Refund of unused grants

If the grant is not completely used, and is to be refunded, the amount is to be reported as a reduced revenue, and the outstanding balance on the settlement account is set to zero via automatic coding.

Example of how to enter refunds in bookkeeping

D/C	Account	Org	Fu	Comp	Acc.spec	Amount	Title
D	7011-13	XXX	XX	XXX	X (acc)	10,000	Funds received (grant)
C	10XXX					10,000	PlusGiro payment

Settlement (automatic coding)

D/C	Account	Org	Fu	Comp	Acc.spec	Amount	Title
C	7018/19	XXX	XX	XXX	X (acc)	10,000	Settlement, external funds
D	234XX					10,000	Accrual, external funds

Non-governmental funds received

According to Section 15 of the Financial Management and Governance Ordinance, Sida may only receive and use non-governmental funds if:

- The income is of a temporary nature or comprises a small amount
- The income does not affect public confidence in the agency, its impartiality in exercising governmental authority, or damage the agency's credibility in some other way.

Revenue from fees

An agency may only charge for goods or services if this complies with laws or ordinances or special decisions made by the Government.

The Letter of Appropriations states that Sida may partly finance activities relating to "Sida Civil Society Centre in Härnösand" and "International recruitment and skills enhancement" through fees, and that Sida may use these revenues.

Fees according to Section 4 of the Fees Ordinance

In addition to the fees Sida may charge under the terms of the Letter of Appropriations, Sida may charge fees under the terms of the general authorisation given to all agencies in Section 4 of the Fees Ordinance.

According to Section 4, Sida may charge for providing:

1. Magazines and other publications
2. Information and course materials
3. Conferences and courses
4. Advisory and similar services
5. Premises
6. Equipment
7. Public purchasing and resource coordination
8. Export of services (for this, there are further provisions in the Export of Services Ordinance)
9. Automatic data processing information in a form other than print-out
10. Information by telephone, if the service the agency thereby provides exceeds the agency's obligation to provide service according to the Secrecy Act and Administrative Procedure Act.

If Sida is to charge fees under the terms of Section 4, the activity must be of a temporary nature or be of small scale. For activities of a temporary nature there are no ceilings on the revenue. An example could be the loaning of personnel to a newly-started agency until it has time to recruit its own personnel. When assessing whether an operation is of small scale, the total sales revenues according to points 1-10 should be considered in relation to the agency's total costs for the operation. The revenues should total no more than five percent of the total costs. Total costs are the sum of the administrative costs and the costs of the activity for which fees are charged.

The fees are normally calculated within the framework of full cost coverage, i.e. Sida must not make a profit. Through EVU/Ekonomi, Sida is to consult every year with the Swedish National Financial Management Authority on the fees that Sida charges or plans to charge. Consultation is also to take place even if there are no plans to change the fees. Sida is to start the consultation process at least four weeks before a decision is made on the size of the fee.

Before a department/division decides on charging a fee (according to Section 4 or some other authorisation), it is to contact EVU/Ekonomi for fee calculation and possible consultation.

VAT is normally to be levied on fees that are charged according to Section 4 of the Fees Ordinance.

The VAT Act lists a number of exceptions to tax liability. The exceptions that may concern goods and services covered by Section 4 are:

- Exceptions regarding property: Rental of premises and associated provision of electricity, gas, water, heating and network equipment.
- Exceptions regarding mass media: Periodic organisation magazines and, in certain cases, sales of periodic member publications and periodic personnel magazines. A periodic publication is to be issued at least four times a year.

VAT is not to be levied on sales to government agencies.

Sida may use the fees charged according to Section 4.

Fees according to Section 15 of the Fees Ordinance

Section 15 of the Fees Ordinance also states that government agencies are to charge when, on special request, the agency provides a copy or transcript of a public document. Sida is also to charge for postage costs if the letter weighs more than 20 grams and to cover any COD charges.

The charge for an order of ten pages is SEK 50. For each additional page, the charge is SEK 2. The agency may decide on exceptions if there are special reasons.

The charge for a transcript of a public document, or transcript of an audiotape, is regulated in the Fees Ordinance (see section 17).

Providing a public document on request is part of exercising governmental authority, so VAT is not to be levied.

Sida may use the fees that are charged according to Section 15.

Financial revenues

Financial revenues are entered in accounts in Account Group 37 or 38 if they relate to the administration appropriation, i.e. they have function 61/66 or 99 accrual. This applies, for example, to interest income from the interest account in the Swedish National Debt Office.

Financial revenues are entered in accounts in Account Group 776 if they relate to the development cooperation appropriation, i.e. they have function 20 or 59 accrual. This applies, for example, to interest on concessionary credits.

Cost reductions

Normally, payments received are to be entered in a revenue account in Account Class 3 if they relate to operational income, and in Account Class 7 if they are to be settled against the development cooperation appropriation. If the payment received relates to a previously incorrect payment, cost reduction can arise. This means that the payment received is entered in the same account in which the payment was entered. This situation may arise, for example, for credit invoices.

However, if the payment received is a bonus, it is not to be entered in the same account as previous payments. These types of payments received are to be entered as revenue. Consequently, cost reduction will only arise in exceptional cases.

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23. Search word list

Accounting	23 Government accounting
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Accrual accounting	25 Annual reports and interim reports
Activity	19 Planning, forecast and follow-up
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Approval	24 Payments
Audit of bank accounts	13 Internal audit
Audit of Development cooperation activities	21 Audit
Audit of large payments	24 Payments
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Authority	2 Appropriation
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Cash-based	16 Grants Disbursed (transfers)
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Charges: revenue from	11 Revenues from grants and fees

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Checklist for payments	24 Payments
Cheques	24 Payments
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Collaboration project	22 Co-financed contributions
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Conditional credits	14 Credits and guarantees
Conferences	20 Entertainment
Confirmation, financial follow-up	12 Follow-up of contributions
Contingent liabilities	4 Contingent liabilities
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Cost	23 Government accounting
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Currency	24 Payments
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Disbursed grant	16 Grants Disbursed (transfers)
Discards	1 Fixed assets
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Doubtful receivables	15 Accounts receivable
Economic life	1 Fixed assets
Expenditure	23 Government accounting
Entertainment, Embassies	20 Entertainment
Entertainment in the home	20 Entertainment
Entertainment policy	20 Entertainment
External entertainment	20 Entertainment
External funds	1 Revenue from grants and fees
Fees	24 Payments
Filing	23 Government accounting
Financial follow-up	12 Follow-up of contributions
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Financial statement	19 Planning, forecasts and follow-up
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Inter-account transfers	18 Inter-account transfers
Interest invoices	15 Accounts receivable
Interest-bearing account	24 Payments
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Internal audit	21 Revision
Internal entertainment	20 Entertainment
International payments	24 Payments
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Management of funds, embassies/section offices	24 Payments
Notes	25 Annual reports and interim reports
Officer: change	12 Follow-up of contributions
Operational cost	16 GrantsDisbursed (transfers)
Output VAT (VAT on invoices that Sida issues)	17 VAT
Payment instruction	24 Payments
Payments received	10 Payments received/refunds
Payments to the World Bank	6Disbursements and accounting, multilateral org.
Payment to UNICEF, UNDP, WHO, etc.	6Disbursements and accounting, multilateral org.
Petty cash	9 Petty cash
Plus giro	24 Payments
Project plan	23 Government accounting
Profit and loss accounting	19 Planning, forecasts and follow-up

RE form	18 Inter-account transfers
Receive grant	11 Revenue from grants and fees
Reconciliations	24 Payments
Reconciliations at embassies	24 Payments
Refunds	10 Payments received/refunds
Reminder letter	15 Accounts receivable
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U credits	14 Credits and guarantees
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VAT on Disbursed grants	17 VAT
VAT relating to entertainment	20 Entertainment
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Voucher number serie	18 Inter-account transfers

24. Settlement accounts

Settlement against appropriation is based on the link between each contribution and a settlement account. It is important that the link is correct so that Sida describes income and expenditure against the correct appropriation item. Every contribution is connected in the planning system to a special settlement account in Account Group 15.

The programme officers must continually monitor that each contribution is linked to the correct settlement account.

Items can only be entered into the settlement account via automatic account coding; entries cannot be made directly into these accounts.

If the link is changed, transactions that have been settled incorrectly can be corrected using the procedure for change of settlement account.

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Check that the contribution is linked

The programme officer is responsible for ensuring that the information registered in PLUS is accurate. Regular checks must be carried out in order to prevent or discover errors. If it is later discovered that a contribution has been linked to the wrong settlement account, transfers may only be made if the outcome (after inter-account transfer) is zero for the contribution. Checking that the correct settlement account is linked to the contribution is not an activity directly connected to the preparation of the annual accounts; instead, it must be carried out as a regular monthly procedure in the financial follow up of the contribution.

It is especially important that the information presented in the annual accounts is accurate. A review of the contributions should therefore be carried out in good time when preparing the annual accounts. Any errors discovered must be corrected.

Lists of settlement accounts and contributions by officer can be produced. Use, for example, the report “*P18:1 Checklist Contribution*”. Contributions must then be manually checked off individually.

Change of settlement account

If a contribution is linked to an incorrect settlement account, proceed as follows:

1. Check and document the transactions that have been charged to the incorrect settlement account during the year. Transactions from previous years must not be/cannot be corrected.
2. The transactions that are incorrect during the current year must be corrected. Prepare a journal voucher (RE form) that “zeros out” *all entered transactions* on all account coding concepts. Enter 8251 “Appropriation transfers” as contra account for the transaction.

In the voucher text, write “Corr. settlement account + contribution number (1)”.

In the accounting documentation it must be *clearly* stated that the transactions concern change of settlement account. State also which settlement account was incorrect, and the settlement account to which the transactions are to be changed.

A *cross-reference* is to be recorded on the original, incorrect voucher. State how it has been corrected, and the voucher number of the correction. Compare with Section 21 “Inter-Account Transfers”.

3. Prepare another journal voucher that reinstates the original cost coding. Use the same contra account as above, 8251 “Appropriation transfers”. (The correction described in section 2 is reversed.)

In the voucher text, write “Corr. settlement account + contribution number (2)”.

In the accounting documentation it must be *clearly* stated that the transactions concern change of settlement account. State also which settlement account was incorrect, and the settlement account to which the transactions are to be changed.

4. Submit the accounting documentation to the Department of Finance and Corporate Development for registration. When preparing annual accounts, please refer to the schedule in the Instructions for the Annual Report to find last date for inter-account transfers.
5. Check that the settlement account is now correct. When preparing the annual accounts, this check must be made according to the schedule stated in the Instructions for the Annual Report.

The incorrect settlement is therefore zeroed out through the transaction described in Section 2. After registration and updating, normally the following day, the Department of Finance and Corporate Development changes to the correct settlement account in the planning system. When this has been done, the transaction described in Section 3 is registered. As the settlement account has now been corrected, settlement will now be made against the correct account.

For further information, please refer to the “Appropriation” chapter in the Finance Handbook.

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25. Transfers

Sida's operations primarily consist of funding development cooperation activities. This is classified as transfers in the accounts.

The definition of transfers is that Sida, on behalf of the government, disburses funds to various recipients primarily in the form of grants, but in certain cases also in the form of transfers of goods and services.

Grants are characterised by the fact that Sida receives nothing in return from the recipient, i.e. Sida disburses funds without purchasing goods/services for its own use.

When Sida purchases goods/services to be handed over to a cooperation partner this is also a transfer, as the acquisition is on behalf of another party.

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Definitions

Sida's operations primarily consist of funding development cooperation activities. This is classified as transfers in the accounts. In addition, Sida has costs arising in its administrative operations that are classified as operational costs. This is reflected in the Statement of Financial Performance in the annual accounts. The Statement of Financial Performance for public authorities, including Sida, is set out as follows

It is sometimes difficult to distinguish between what is to be included in operational costs in the upper part and the transfers section in the lower part. The significant point for the position of the different costs in the Statement of Financial Performance is the account into which the costs are coded. Revenues and costs coded into account class 7 are allocated to the transfer section while operational revenues and costs are coded into account classes 3–6.

Transfers are defined as financial events where the agency's task is mainly limited to moving funds, on behalf of the state, from the government budget to various identifiable recipients. These grants are charac-

terised by the fact that the government agency involved in the transfer activities receives nothing in return from the recipient.

In the transfer section it is also important to distinguish between grants and the purchase of goods and services. Depending on the account coded, they end up in different sections of the state's total costs, the national accounts. How transactions are account coded also affects how much of Sida's activities are regarded as development cooperation, which is significant for whether we can attain the 1% goal. As Sida manages most of Sweden's development cooperation it is extremely important that funds are account coded correctly.

The dividing line between what is to be classified as grants and what is to be classified as purchase of goods and services is often unclear.

Operational cost or transfers?

If Sida receives something *in return* then it is *purchase of service*. If *nothing is received in return* then it is a *grant*.

If Sida receives something *in return that benefits Sida* then it is an *operational cost*. If Sida receives something *in return that benefits another party* then it is a question of purchase of *goods/services for the purpose of transfer* (= transfer in kind).

For transfers, recipients must be *identifiable*. If this is not possible then the payment must be reported as an operational cost. Examples of such operational costs include TV commercials and information material.

Definition of "in return"

In order to qualify as a transfer, the disbursement must not be linked to receiving something in return. Instead it is a resource that is transferred to an identifiable recipient. A donor may not:

- Enjoy any special beneficial position
- Make demands as to how the task is to be carried out, or
- Demand that a certain result is achieved.

However the donor is entitled to demand that the grant is used for an intended purpose and/or that a certain person is appointed project manager. Sometimes transfers can be linked to conditions, for example that a person must participate in a training course in order to receive a training grant. The fulfilment of such conditions is not regarded as a service in return to the state and so the cost is regarded as a transfer.

Should Sida enter the recipient's request as a payable?

Grant provided	Purchase of goods/services
Application	Invoice
Cash	Expenditure
No VAT	VAT
Not entered as a liability	Entered as a liability

How the disbursement is classified determines whether Sida is to enter a liability to the recipient when Sida receives the application for payment. The basic assumption for a liability is that the counterpart has fulfilled the undertaking, usually by supplying goods or services. However, disbursements of grants are not payments for goods or services and so normally do not result in a liability in Sida's accounts. Consequently, a decision about a grant or the receipt of an application for a grant cannot

normally form the basis for entering a liability. This is why counterparts do not send invoices; they send applications to Sida where grants are concerned. When applications are received, they are not to be registered in Sida's suppliers' ledger.

Occasionally the recipient may call the application an "invoice". However the title of the document is not what is important here. If the content is an application for grant without anything in return for Sida then the received document must be treated as an application and not entered as a liability. The assessment must be based on the underlying contract/agreement or equivalent.

The criterion used by the Department of Finance and Corporate Development about whether a received document is to be registered, and thereby entered as a liability, is the word "invoice". If the department/division that receives this "invoice" considers that it is really an application, then it should inform the Department of Finance and Corporate Development of this and the registration of receipt can be cancelled. This is especially important when preparing annual accounts.

Appropriation settlement

Whether or not the disbursement is to be classified as a grant also determines when *appropriation settlement* is to be carried out. Settlement of grants is done on a cash basis, i.e. when disbursement occurs. In contrast, purchase of goods/services must be settled on an expenditure basis. Consequently an invoice that arrives at Sida before the "break day" (10 January), and relates to the previous year, then the appropriation must be settled in the previous year, regardless of when payment is made. For interim accounts, the corresponding date is 10 July.

Entering any advances

Occasionally grants are disbursed before a project or other equivalent activity actually starts. This could be because the recipient needs start-up capital. Sida is not to enter this type of "advance" as a receivable, but it should be immediately entered into a profit and loss account for grants disbursed.

The reason for this is that Sida will not receive anything in return. If, however, the advance is for purchase of services, such as consultancy services, then there is a return connected with the disbursement. In this case the disbursement must be entered as a receivable (advance) and later as a cost for purchase of services. Advances are to be used extremely restrictively (please refer to Section 12 "Advances").

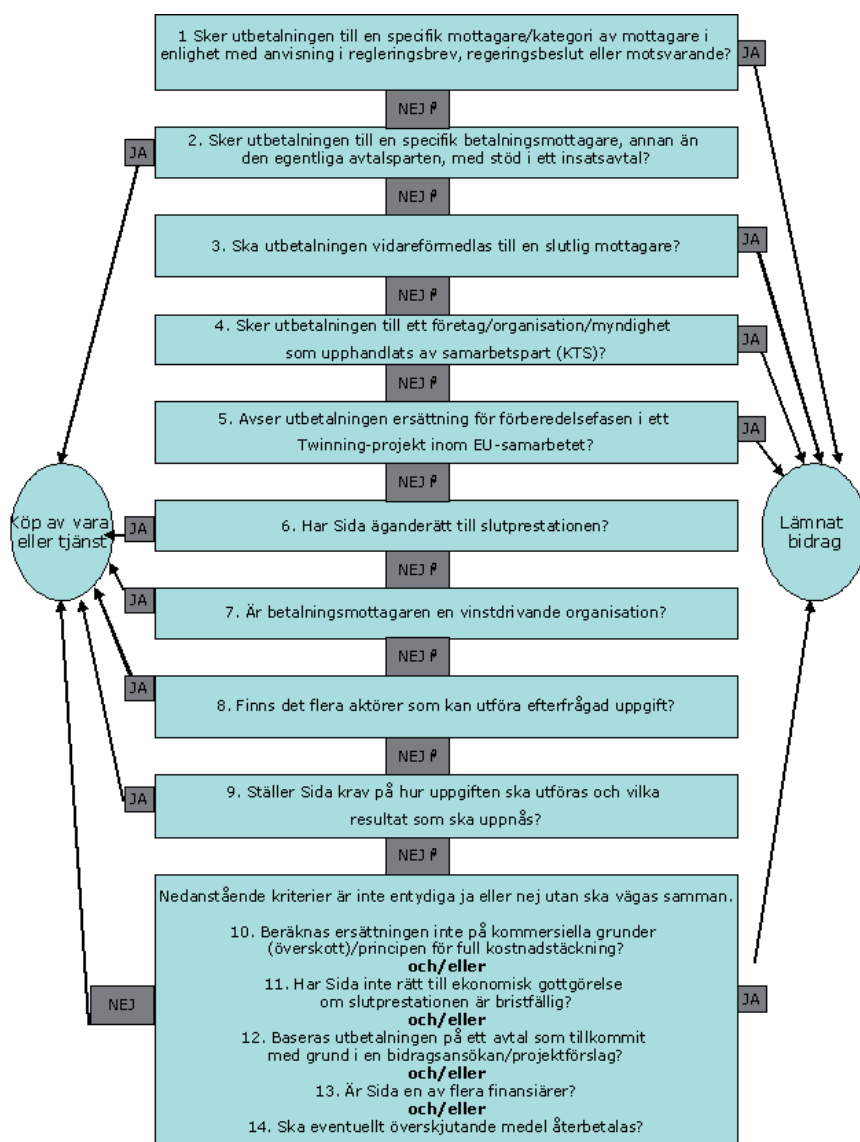
VAT

In traditional cases of grant disbursement, cash grants, no VAT is involved. However, if Sida purchases goods or services instead of sending funds, and transfers these to a recipient within the framework of transfer activities, the purchase is regarded as being made for operational purposes. In that case, Sida receives an invoice in which VAT is specified just as if the goods were purchased for Sida's in-house operations. Sida is then entitled to reclaim the VAT and there will be no cost to the project.

TREE DIAGRAM – Grants or purchase of goods/services? (Account class 7)

The following tree diagram is designed to help decide whether an agreement involves a grant or a purchase of goods/services. The idea is that, if the answer is YES to the first 9 questions, then it should be possible to decide the nature of the disbursement. The final five criteria (10-14) are

less distinct and are more like indicators to help determine the nature of the disbursement. The diagram is followed by a list with comments and explanations to points 1–14.



Explanation of tree diagram

The following section provides explanations and examples of the points/boxes shown in the tree diagram.

1. Is the disbursement addressed to a specific recipient/category of recipients in accordance with instructions in the Letter of Appropriations, Government Decision or equivalent?

If the Letter of Appropriations, Government Decision or equivalent states that Sida is to support a specific recipient for a specific purpose, without receiving anything in return, the disbursement must be classified as a grant.

Example:

SAREC disburses research grants to researchers at many universities with the support of Sida's Letter of Appropriations. According to Sida's

Letter of Appropriations, funds from the research appropriation item may be used to support, for example, development research in Sweden about developing countries, long-term support for research environments, thematic research networks and support to individual research projects. The significant point is that Sida receives nothing in return (in contrast to when Sida commissions a research report in order to find out how development cooperation has affected the recipient or similar, i.e. an evaluation report, in which case Sida does receive something in return. (In addition, please refer to Point 6 below.)

According to a Government Decision addressed to the Swedish National Agency for School Improvement (MSU), this agency has been commissioned to develop forms for cooperation with developing countries for secondary school education. The Government Decision states that these activities may receive funding that Sida decides to allocate to development cooperation, i.e. MSU is entitled to receive grants from Sida.

2. Is the disbursement addressed to a specific recipient, other than the actual party to the agreement, with the support of a project agreement?

If the funds are disbursed with the support of a project agreement that Sweden/Sida and the recipient country have entered into for a certain contribution or project, the disbursement is to be classified as purchase of services on behalf of another party under the terms of the project agreement. In that case, Sweden/Sida has undertaken to provide a grant in cash or in kind. In order to fulfil this undertaking, Sida may need to purchase services to transfer to the cooperation partner (so it is not the party producing the service that transfers it).

Example:

According to a project agreement between Sweden/Sida and South Africa, Sida is to provide support to a “Culture Partnership Programme” to promote cultural organisations. According to the agreement, Sida is to enter into an agreement with the Swedish National Council for Cultural Affairs, which will administer the project.

Sida’s payment for the administrative costs is to be regarded as purchase of services on behalf of another party (instead of Sida’s administration), while the grant is a pure transfer (see below).

3. Is the disbursement to be forwarded to another, final recipient?

If the aim of the disbursement is that the funds will be forwarded to another, final recipient then the disbursement is classified as a grant.

Example:

According to an agreement between Sida and the Swedish National Council for Cultural Affairs, the Council will award grants to various cultural organisations after due application process. Please refer to Point 2 above.

4. Is the disbursement made to a company/organisation/government agency procured by the cooperation partner (KTS)?

If the recipient has been procured by the cooperation partner and not by Sida, then the funding is a grant. (Instead of transferring a cash grant to the cooperation partner, the funds are transferred directly to the company/government agency/organisation procured by the cooperation partner.)

Example:

Debt negotiation project 2004–2007. Sida confirms in a letter to the cooperation partner that Sida approves the partner's choice of supplier and that Sida, on behalf of the cooperation partner, will pay future invoices. Sida's General Rules for Contract-Financed Technical Cooperation form part of the agreement with the cooperation partner.

5. Does the disbursement concern payment for the preparatory phase of a Twinning Project within EU cooperation?

If the disbursement concerns payment for the preparatory phase of a Twinning Project then it is a grant. The classification is shown in the ESV guidelines for reporting of EC funds by government agencies. The counterpart must enter the payment from Sida as grant revenues.

Example:

Sida finances the Swedish Customs' preparatory phase for a Twinning Project. The agreement includes "Conditions for Sida Financing – Twinning".

6. Does Sida own the final result?

If Sida owns the final result then the disbursement is to be classified as purchase of goods/services.

7. Is the recipient a profit-making organisation?

If Sida provides funds for a project/task run by a profit-making organisation or company, the clear indications are that this involves purchase of services.

Example:

Sida commissions a private TV company to produce a film about HIV/AIDS, which is to be given to a cooperation country.

8. Are there several actors who could carry out this task?

If several actors could carry out the service/task/project that Sida is financing, this indicates that it is a purchase of services.

Example:

Sida finances a training course on behalf of the cooperation partner. Several different universities could run this course.

9. Does Sida place requirements as to how the task is to be carried out and the results that are to be achieved?

If Sida places requirements as to how the task is to be carried out and the results that are to be achieved then it is purchase of services.

Example:

The disbursement is based on terms of reference that stipulate Sida's requirements as to how the task is to be carried out and the expected results.

10–14

The *following* five criteria are not definite yes or no questions, and instead give some indication of whether a grant or a purchase is involved. The five criteria must be considered together and an assessment made as to what is the correct answer.

10. Is payment not calculated on commercial grounds (surplus)/principle of full cost coverage?

If the extent of Sida's financing is based on cost price calculations/ equivalent (e.g. tender) this indicates a purchase of services.

Example:

Payment to a government agency is based on an hourly fee that has been calculated on the cost price principle.

Payment is based on a quote/tender.

11. Is Sida not entitled to financial compensation if the final result is not successful?

If Sida is entitled to request compensation if the task is not satisfactorily executed, this indicates a purchase of services. (Poor result is not the same as fraudulent procedure).

Example:

Sida demands compensation from a firm of consultants that has built a road, and the road has not been of the standard required.

12. Is the disbursement based on an agreement that has arisen from a grant application or project proposal?

If the disbursement is based on an agreement that has arisen from a grant application or project proposal, this indicates a grant.

Example:

The University of Göteborg Library applies for support for a skills development programme aimed at children and young people, in cooperation with Alexandria Library.

13. Is Sida one of several financiers?

If Sida is one of several financiers of a project, this indicates that Sida's funding is to be classified as a grant.

Example:

Support via Sweden's University of Agricultural Sciences (SLU) to the Baltic Sea Regional Programme, with another organisation as primary financier.

14. Will any surplus funds be repaid to Sida?

If, according to the agreement, Sida is entitled to be repaid any surplus funding, this indicates that the disbursement is a grant.

Example:

The agreement between Sida and the counterpart includes a clause on the obligation to repay. For example, "The portion of Sida funding that has not been utilised in and for the project by the end of the project will immediately be repaid to Sida".

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26. VAT

Value added tax (VAT) is levied on private and public sector consumption of goods and services. It is levied on all parts of the production and distribution chain, and is paid to the government on the value that has been added in every stage. Hence the name “value added tax”.

Input VAT concerns VAT on incoming supplier invoices, receipts and similar documents.

Output VAT concerns VAT that Sida invoices to its customers.

VAT is not levied between Swedish government agencies.

VAT regulations are not always easy to apply. Always contact EVU/Ekonomi as a first resort if anything is unclear concerning VAT.

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Input VAT

Input VAT is the tax arising from Sida’s acquisition of goods and services. Suppliers debit input VAT on their invoices, receipts and other equivalent documents.

Sida is entitled to request compensation for the input VAT that Sida pays when purchasing goods and services for its operations. In accordance with the Ordinance on Input VAT for Government Agencies, Sida requests compensation for its input VAT payments from the Swedish National Tax Board every month.

Sida’s entitlement to compensation for input VAT is to be assessed in accordance with the stipulations in the VAT Act, taking into account the special provisions applying to government operations.

If Sida is to be entitled to compensation, an invoice must support the entitlement to deduct. The following information must be stated on the invoice:

- Date of issue of the invoice
- A unique serial number
- The seller’s VAT number

- Sida's and the seller's name and address
- The number and type of goods or the scope and type of service
- Date when the goods or services were delivered or completed
- Tax documentation for each tax rate
- Tax rate applied
- The amount of VAT to be paid

If the invoice is not addressed to Sida, Sida is not entitled to compensation for input VAT.

The applicable tax rates for VAT are as follows:

- 25% General tax rate for goods and services other than those specified below
- 12% Food, hotels (room rental), lift cards, artwork
- 6% Newspapers, books, magazines, taxis, air travel, trains, certain entrance fees to cultural events.

There are certain restrictions to the entitlement to deduct input VAT. This concerns purchase of cars, where there is no entitlement to deduct for input VAT. Rental/leasing (even short-term) of cars gives entitlement to deduction of 50% of the VAT amount on the rental cost. For hospitality (lunch, dinner or evening meal) there is restricted entitlement to deduct for input VAT up to a certain amount. See the chapter on Hospitality.

Division of responsibility and contacts with the Swedish National Tax Board

Sida personnel are not to give direct advice about VAT, as Sida, in the worst scenario, can be liable to pay damages to consultants if Sida provides incorrect information.

The consultants that invoice Sida are responsible for ascertaining whether or not VAT is to be included on the invoice.

Sida is only responsible for its own VAT accounting and for ensuring this is based on correct invoice documentation.

Swedish VAT or no VAT on consultancy services

Whether or not Swedish VAT is to be levied on a consulting service is determined by the purchaser/client in the consultancy contract in question, i.e. who is party to the contract.

For consulting contracts, there are following *three model cases*:

1. Sida is party to the contract/client

Swedish VAT is to be invoiced to Sida because Sida is party to the contract. The invoice is to be addressed to Sida.

However, one *exception* applies for Swedish consultancy services; this concerns property abroad, e.g. if Sida contracts a consultant to plan or carry out a pre-study on a facility located abroad. In such cases, Swedish VAT is not to be invoiced.

2. The cooperation partner is party to the contract/client

Cooperation partners are defined as the recipient country's government/ministry /government agency/municipality or recipient foreign organisation or other foreign legal entity. Cooperation partners are found in countries outside the EU.

If this concerns an intra-Community purchase, i.e. purchase within the EU, then the purchaser calculates and reports both output and input VAT. Consequently the seller will not add VAT to the invoice. EVU/Ekonomi processes this accounting as and when it occurs.

Swedish VAT is not to be invoiced. Sweden/Sida only finances the service according to development cooperation agreement (grant agreement). That Sida actually pays is of no significance when assessing who is the purchaser of/client ordering the service. The key factor is who the purchaser/client is according to the contract. In this case the purchaser is outside Sweden and so no Swedish VAT is to be debited. It is important that the invoice be addressed to the recipient and that Sida is merely included as “c/o Sida” on the second line of the address, or that a disbursement request is enclosed with the invoice that is not addressed to Sida.

3. Sweden's embassy in the recipient country is party to the contract/client

Swedish VAT is not to be invoiced. The key factor is that it is the embassy that is the purchaser of/client ordering the service in the consultancy contract, and not Sida in Stockholm or the recipient in the country. It is vital that the invoice is addressed to the embassy and that Sida is included only as “c/o Sida” in the second line of the address.

Incorrect VAT amounts

If the consultant's invoice is addressed to the wrong contract party, or if the VAT debiting is suspected to be incorrect, the officer must request a new, correct invoice. Reference must be made to the consultancy contract showing the parties involved.

The stated VAT amount must *never* be changed. In cases where the invoiced amount is changed, affecting the VAT, a new invoice must be requested from the supplier. The VAT amount must never be rounded up or rounded down; this must be done on other amounts.

Swedish input VAT is entered as a receivable to the Swedish National Tax Board, and debited coded into a special account in Account Class 1.

Output VAT

Output VAT is defined as the VAT that Sida, according to the VAT Act, is obliged to add to the price when selling certain goods and services.

Value added tax is not levied on transactions between government agencies as they, in this context, with the exception of government enterprises, are regarded as one legal entity.

When Sida supplies taxable goods and services, the invoice, a transaction note or equivalent document is to be issued that includes:

- Date when the invoice was issued
- A unique serial number
- Sida's VAT number – SE202100478901
- Sida's and the purchaser's name and address
- The number and type of goods or the scope and type of service
- Date when the goods or service was delivered or completed
- Tax documentation for each tax rate
- Tax rate applied
- VAT to be paid

If VAT is not to be levied then reference must be made to the relevant provision in VAT legislation.

For EU commerce, both Sida's and the purchaser's VAT number must be stated.

VAT on disbursed grants

In the traditional cases of disbursed grants, cash grants, there is no VAT. If, instead of disbursing a grant in the form of payments, Sida purchases goods or services, and passes these on to a recipient within the framework of transfer activities, the purchase is regarded as being for the operation. Sida then receives an invoice with specified VAT, in the same way as for a purchase for its own use. Sida is then entitled to reclaim the VAT paid and there is no cost to the project.

VAT on contract-financed technical cooperation (KTS) invoices

KTS invoices are not addressed to Sida (i.e. Sida is not the recipient of the invoice, but pays it on behalf of another party), and are not to include VAT.

VAT on fees – Section 4, Fees Ordinance

According to Section 4, Sida may charge for providing:

1. Magazines and other publications
2. Information and course materials
3. Conferences and courses
4. Advisory and similar services
5. Premises
6. Equipment
7. Public purchasing and resource coordination
8. Export of services (for this, there are further provisions in the Export of Services Ordinance)
9. Automatic data processing information in a form other than printout
10. Information by telephone, if the service the agency thereby provides exceeds the agency's obligation to provide service according to the Secrecy Act and Administrative Procedure Act.

The fees are normally calculated within the framework of full cost coverage, i.e. Sida must not make a profit.

Before a department/division decides on charging a fee (according to Section 4 or some other authorisation), it is to contact EVU/Ekonomi for fee calculation and possible consultation.

VAT is normally to be levied on fees that are charged according to Section 4 of the Fees Ordinance.

The VAT Act lists a number of exceptions to tax liability. The exceptions that may concern goods and services covered by Section 4 are:

- Exceptions regarding property: Rental of premises and associated provision of electricity, gas, water, heating and network equipment.
- Exceptions regarding mass media: Periodic organisation magazines and, in certain cases, sales of periodic member publications and periodic personnel magazines. A periodic publication is to be issued at least four times a year.

VAT is *not* to be levied on sales to *government agencies*.

No VAT on fees – Section 15 of the Fees Ordinance

Section 15 of the Fees Ordinance also states that government agencies are to charge when, on special request, the agency provides a *copy* or transcript of a *public document*. Sida is also to charge for postage costs if the letter weighs more than 20 grams and to cover any COD charges.

The charge for an order of ten pages is SEK 50. For each further page, the charge is SEK 2. The agency may decide on exceptions if there are special reasons.

The charge for a transcript of a public document, or transcript of an audiotape, is regulated in the Fees Ordinance (see section 17).

Providing a public document on request is part of exercising governmental authority, so *VAT is not to be levied*.

Local VAT

Local VAT applies in a number of countries. As a rule, such VAT is repaid to each section office/embassy afterwards at certain intervals, e.g. quarterly or monthly. One problem is that it is not always known how much VAT will be refunded. The principle is that, when a payment is entered, the expected VAT refund is entered as a receivable.

For countries that use Simba, a local advance account is set up with a suitable account specification, such as ALBVAT. It is very important that text on the voucher makes it possible to match the receivable against the payment at a later stage.

Example:

a) In Mali, petrol was purchased in May for XOF 70,000, where a VAT refund of XOF 10,000 is expected.

D/C	Account	Org	Fu	Comp	Acc. spec	Amount	Designation
D	5811	XX	XX	XXXX		60,000	
D	1XX1				MALVAT	10,000	Fuel May
C	1XXX					70,000	

b) Later, VAT of XOF 9,000 is refunded to the section office, so XOF 1,000 is debited as a cost.

D/C	Account	Org	Fu	Comp	Acc. spec	Amount	Designation
D	5811	XX	XX	XXXX		1,000	
C	1XX1				MALVAT	10,000	Fuel May
D	1XXX					9,000	

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Appendix 1

Guide – Delegation of financial responsibility

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1. **Introduction**

Sida's standing orders regulate the overall principles for the delegation of the right of disposal (point 2) and the delegation of the right to make decisions (point 3).

Decision templates are available in Word under template group and template/forms and forms/decisions on financial delegation. The available templates are "Decision on contribution", "Decision on mandate", "Decision on commission" and "Delegation of right of disposal".

Closer regulation of the way a right of disposal is delegated within Sida is shown in ***Rule on delegating financial responsibility***.

This guide looks at the different forms of delegation that exist within Sida and the way delegation decisions should be formulated.

It is important that the person making the delegation decision, as well as the person to whom the authority is being delegated, knows what applies to different types of delegation decisions. It is also important that delegation decisions clearly show the type of delegation that is intended.

1.1 **Definition of concepts**

The right of disposal denotes the right to use appropriated funds for the purpose for which they are intended.

The right of disposal includes the right and obligation to sign a payment order authorisation.

At Sida, the person who knows the conditions surrounding a financial event best should therefore affirm, via an authorisation, that a certain state of affairs applies and that the basis is otherwise reasonable and correct. The person who has delegated the right of disposal of funds for a particular purpose shall, before a payment is made through a payment order authorisation, confirm that the financial event falls within his/her area of responsibility and fits into the frame of the appropriated resources. To maintain good internal control, the payment form, e.g., the LR form, shall therefore be signed by two persons.

1.2 Different forms of delegation

The following forms of delegation exist within Sida:

- I. **Full delegation** of the right of disposal and the right to make decisions. This refers to the right of disposal of appropriation funds and the authority to assess, decide and enter agreements on contributions within the frame of approved appropriation funds.
- II. **Partial delegation** of the right of disposal. This involves a right of disposal of appropriation funds with regard to approved contributions but no authority to decide on new contributions.
- III. **Commission**, which refers to the authority, within a specified scope, amount and period of time, to make decisions about measures within an approved contribution.
- IV. **Mandate**, which refers to the authority, within a specified scope, amount and period of time, to prepare a contribution.

Delegation can also refer to the authority to make decisions on future expenditure to be financed by appropriations that Sida has not yet been allocated, i.e., so-called authorisation.

2. Delegation of the right of disposal

2.1 Delegation by the Director-General of the right of disposal

The Director-General approves Sida's administrative budget annually and delegates the right of disposal of the administrative appropriation to the heads of departments. The Head of EVU decides on the auditing of the administrative budget.

The Director-General delegates the right of disposal of Sida's development cooperation appropriation annually to the heads of departments. The heads of departments then decides on further delegation within the department, to another department or to transfer it to embassies or SDCs.

This guide applies primarily to further delegation after the Director-General has decided on the delegation of Sida's development cooperation appropriation to the heads of departments.

2.2 Further delegation of the right of disposal

Decisions on delegating the right of disposal of appropriations are made on the form "DECISION – delegation of right of disposal" and is reported to the Department of Finance together with a specimen signature in the original. Delegations can be made by:

- A head of department to a head of division within the department, to a programme officer within the department, to another head of department, to a head of division in another department or to an embassy or SDC (transferring a right of disposal)

- A head of division to a programme officer or to an embassy or SDC (transferring a right of disposal)

When delegating to another department/division or transferring a right of disposal to an embassy or SDC there should always be consultation with the head of department/head of division or head of the embassy or SDC.

A decision on delegation to a programme officer can also refer to a right of disposal of funds for an individual project. One condition is that there is an approved project budget and that the project can be clearly defined in the report with a separate project code, component number or similar. These conditions should be stated in the delegation decision.

2.3 Decision template – Delegation of the right of disposal

The following information should be entered on the form:

Heading	Content
Department	Department making decision
Division	Division making decision (where applicable)
Date of decision and decision number	Date and decision number
Reporting	Programme officer
Case number	“Case no” in e-doc
Approved by and signature	Name of manager making decision, and signature
Present	Names of persons who sign that they are present
Consultation with	Names of persons who have been consulted (Should always happen when delegating to another department/division or when transferring to an embassy or SDC. Documented via signature or – for embassy or SDC – via email or facsimile)
Account string	Fill in box for org., division; the rest is not filled in.
Allocation account	State
Copy to	Everyone who has taken part in the decision (present or in consultation) and any others who may have an interest in the decision. NB decisions on delegations that are to be reported to an embassy or SDC must also be written in English.
Subject sentence	Decision heading, e.g. “Decision on delegation of right of disposal within appropriation entry x”

Heading	Content
Background	<p>State background to delegation decision.</p> <p>Suggestion:</p> <p>With reference to the delegation decision (<i>state delegation decision through which the right of disposal was given at the previous stage</i>) it is proposed that the right of disposal of x SEK from the appropriation (<i>state the appropriation designation of the annual directives and letter of appropriation</i>) and authorisation to enter into financial commitments on behalf of Sida not exceeding y SEK (state only if the decision refers to multi-annual agreements/contracts) be delegated to the Head of (<i>state department/division/embassy or SDC</i>) with the aim of (<i>here the purpose should be stated if it is an individual contribution, otherwise a reference can be made to an appendix if the delegation decision refers to several contributions or frameworks for decisions on contributions</i>)</p>

Heading	Content
<i>Decision</i>	<p>The decision is formulated as <i>that</i> clauses and can refer to:</p> <ul style="list-style-type: none"> • Right of disposal • Authorisation • Any limitations <p>Ex of <i>that</i> clause for <i>right of disposal</i>: <u>That</u> the right of disposal of x SEK from (<i>appropriation designation according to the annual directives and letter of appropriation</i>) is delegated to the Head of (<i>department/division</i>) with the aim of (<i>state purpose</i>).</p> <p><u>That</u> the future right of disposal granted to Sida for the sub-item during the year be delegated to the respective manager according to the division of responsibilities in the appendix (see 2.3)</p> <p>If the delegation decision refers to several contributions or frameworks, the decision sentence can reference the list in the appendix.</p> <p>Ex of <i>that</i> clause for <i>authorisation</i>: <u>That</u> the authorisation to enter financial commitments not exceeding x SEK for expenditure that will be financed by the stated appropriation year xxxx-xxxx or as from xxxx is delegated to the Head of (<i>department/division</i>)</p> <p>Example of <i>that</i> clause with reference to <i>limitations</i>: <u>That</u> the following limitations apply: (<i>state limitations</i>, e.g., that there must be consultation prior to decision etc).</p>

2.4 Delegation from Head of Department to Head of Division

When the Director-General (or other head of department) has made a decision on delegation to the heads of department, these usually decide on further delegation of the right of disposal to the department's heads of divisions.

Such a delegation decision on the right of disposal often refers to the delegation of appropriation funds and authorisation to several divisions. To make the decision sentence easier, reference can be made to an appendix with a list of appropriation items that are included in the decision, amounts for rights of disposal and for authorisation, recipient of the delegation, etc. It is important that this list is formulated so as to be clear and easy for the recipient to read.

If, during the year, the government decides to allocate Sida further funds or further rights of disposal for the appropriation sub-item (e.g., for unencumbered reserves), each such decision requires a new delegation decision. To avoid writing a new delegation decision, the head of department may add the following decision sentence to his/her annual decision on the delegation of the right of disposal to the heads of divisions:

That the future right of disposal granted by Sida for the sub-item during the year be delegated to the respective manager according to the division of responsibility in the appendix.

2.5 Delegation from Head of Division to Programme Officer

According to delegation rule point 3e, the right of disposal may be delegated to a programme officer within the same division or secretariat. Approval is required from the head of department for the right of disposal and authorisation. Such approval can be found in the department's administrative procedure or via consultation with the head of department in connection with the delegation decision.

When a programme officer has been granted a right of disposal within a certain area, the programme officer can make decisions without deferring to the manager. To ensure good preparation and internal control, there ought to be another programme officer/controller/planning coordinator to consult with when making a decision.

2.6. Delegation of the right to sign an authorisation of payment

Within Sida, the right to sign a payment order authorisation can be delegated (i.e., the recipient is given a "power of attorney" to sign a payment order authorisation in place of the holder of the right of disposal).

Decisions on payment order authorisation are documented on the form DECISION – delegation of right of disposal. A signature in the original should be sent to the Department for Finance together with a copy of the decision.

For decisions on rights to authorise payment, the decision sentence “That the rights to authorise payment is delegated in accordance with the proposal” is used. Any terms, monetary limits, etc should also be stated.

In the case when a right to authorise payment is delegated to more than one person and contribution in the same decision, a list should be drawn up showing clearly the terms of the delegation, e.g., which contributions it relates to or, where applicable, which specific invoices the delegation refers to, any monetary limits, to which persons the right to authorise payment is delegated, etc.

3. Other delegations

Sida’s standing orders include an overall division of responsibility, division of labour and distribution of the right to make decisions.

Delegations of the right to make decisions are made in the administrative procedure or via special decisions (“DECISION on MANDATE” or “DECISION on COMMISSION”). The delegation can be done by:

- Head of department to head of division within the department, to programme officer within the department, to another head of department, to head of division in another department or to an embassy or SDC (transfer of the right to make decisions)
- Head of division to programme officer, embassy or SDC (transfer of the right to make decisions)

Delegations to another department/division, embassy or SDC should always be in consultation with the head of department/head of division or head of embassy or SDC.

When a programme officer has been granted the right to make decisions within a particular area, the programme officer can make decisions without deferring to the manager. To ensure good preparation and internal control, another programme officer/controller/planning coordinator ought to be consulted when making the decision.

3.1 Delegation of mandate

A mandate refers to the authority to assess a contribution. Decisions on delegating mandates are made on the form “DECISION on MANDATE”.

Note that if the recipient division is to be given greater authority than to assess a contribution, it is a ***right of disposal*** that should be delegated.

The delegation of a mandate should be given by the manager who has the right to make the decision to another manager. It can also be given by an ambassador/embassy counsellor if the embassy has the right to make decisions on a contribution (fully delegated).

Mandates shall be given and received in writing. This is best done in consultation, which should be shown in the decision. In urgent cases, this can be done via email or facsimile and then afterwards on paper.

3.1.1 Decision template – DECISION on MANDATE

The following information should be entered on the form:

Heading	Content
<i>Department</i>	Department making decision
<i>Division</i>	Division making decision (where applicable)
<i>Date of decision and decision number</i>	Date and decision number
<i>Reporting</i>	Programme officer
<i>Case number</i>	“Case no” in e-doc
<i>Approved by and signature</i>	Name of manager making decision, and signature
<i>Present</i>	Names of persons who sign that they are present
<i>Consultation with</i>	Names of persons who have been consulted (Should always happen when delegating to another department/division or when transferring to an embassy or SDC. Documented via signature or – for an embassy or SDC – via email or facsimile)
<i>Account string</i>	Fields 2-4 should be filled in. Fields 1 and 5 are filled in if required. Org. division (field 2) refers to the organisational division with the right of disposal.
<i>Allocation account</i>	State
<i>Copy to</i>	Everyone who has taken part in the decision (present or in consultation) and any others who may have an interest in the decision. NB decisions on delegation that are to be reported to an embassy or SDC must also be written in English
<i>Subject sentence</i>	Decision heading, e.g. “mandate to prepare contribution...”
<i>Background</i>	State background to delegation decision. Suggestion: With reference to <i>(state delegation decision through which the right of disposal was received and any directive)</i> it is suggested that the Head of (state recipient division/embassy) be given a mandate to assess contribution(s) with regard to (state area) <i>or</i> according to enclosed memorandum up to a maximum of (state amount and any period). Period refers to the years in which the contributions are planned for completion.

Heading	Content
Decision	<p>The decision is formulated as <i>that</i> clauses and can refer to:</p> <ul style="list-style-type: none"> • Mandate • Any other limitations <p>Ex of <i>that</i> clause for mandate: <u>That</u> the Head of (<i>state recipient department/division</i>) be given the mandate to (<i>state one of the following formulations</i>) assess contribution(s)/assess in accordance with state assessment memorandum/directive or refer to the above</p> <p>Ex of <i>that</i> clause for amount and period: <u>That</u> the contribution(s) may total a maximum of x SEK during the period y-z</p> <p>Ex of <i>that</i> clause for limitations or terms: <u>That</u> there should be consultation with division/embassy before the contribution decision is made</p>

3.2 Delegation of commission

The delegation of a commission refers to a delegation of authority within the specified scope, amount and period to make decisions on an action within an already approved contribution, e.g., procurement of a consultant.

Commissions can be given by the manager who has the right to make decisions on the contribution to another manager. Decisions on delegating commissions are done on the form “DECISION on COMMISSION”.

Note that if a recipient division is to be given greater authority than to carry out an individual measure within an approved contribution, e.g., sign an agreement or contract, etc, it is a **right to authorise payment or right of disposal** that should be delegated.

Commissions shall be given and received in writing. This is best done in consultation, which should be shown in the decision. In urgent cases, this can be done via email or facsimile and then afterwards on paper.

3.2.1 Decision template – DECISION on COMMISSION

Heading	Content
Department	Department making decision
Division	Division making decision (where applicable)
Date of decision and decision number	Date and decision number

Heading	Content
<i>Reporting</i>	Programme officer
<i>Case number</i>	“Case no” in e-doc
<i>Approved by and signature</i>	Name of manager making decision, and signature
<i>Present</i>	Names of persons who sign that they are present
<i>Consultation with</i>	Names of persons who have been consulted (Should always happen when delegating to another department/division or when transferring to an embassy or SDC. Documented via signature or – for embassy or SDC – via email or facsimile)
<i>Account string</i>	Fields 2-4 should be filled in. Fields 1 and 5 are filled in if required. Org. division (field 2) refers to the organisational division with the right of disposal.
<i>Copy to</i>	Everyone who has taken part in the decision (present or in consultation) and any others who may have an interest in the decision. NB decisions on delegation that are to be reported to an embassy or SDC must also be written in English
<i>Subject sentence</i>	Decision heading, e.g. “commission to procure consultant in...”
<i>Background</i>	State background to delegation decision. Suggestion: With reference to (contribution decision and/or other governing decision or document) it is suggested that the Head of (recipient department/division/embassy or SDC) be commissioned to xx within the frame of a maximum of xx SEK

Heading	Content
Decision	<p>The decision is formulated as <i>that</i> clauses and can refer to:</p> <ul style="list-style-type: none"> • Commission • Maximum amount and poss. period • Any other limitations <p>Ex of <i>that</i> clause for commission: <u>That</u> the Head of (<i>state recipient department/division/embassy or SDC</i>) gives a commission to (<i>state commission</i>) in accordance with (<i>state contribution decision/memorandum or refer to the above proposal</i>).</p> <p>Ex of <i>that</i> clause for maximum amount and poss. period: <u>That</u> the cost may total a maximum of x SEK during the period y-z.</p> <p>Ex of <i>that</i> clause for limitations/terms: <u>That</u> the commission ought/shall be carried out in accordance with the enclosed memorandum/basic documentation, during a certain period of time according to the terms of the contribution or procedural agreement, etc.</p>

4. **Decision on contribution**

According to Sida's standing orders, the head of department can make decisions on contributions that are not decided by the government, Director-General, the Research Council or other specially approved order. The right to make contribution decisions can be further delegated through an administrative procedure or special decision.

Contribution decisions are normally, but not always, taken by the holder of the right of disposal. There are exceptions when the right to make contribution decisions is limited, e.g., for partial delegation, when the delegation does not cover the right to make decisions or for monetary limits (e.g., in the case that the administrative procedure prescribes that contributions with a total budget higher than a certain amount be decided by a higher manager).

If the right to make decisions (and right of disposal) are delegated to a programme officer/project leader, it means that the programme officer can make decisions without deferring to the manager. To ensure good assessment and internal control, another programme officer should be consulted on decisions. The other programme officer may have been appointed by an administrative procedure or by a special delegation decision each year. Programme officer also includes controllers. The delegation decision can state names of programme officers who should be present for the decision under the that clause for

limitations. The highest amount for decisions is also stated there unless it has been stated in the department's administrative procedure

A decision on a contribution is a specification of the right of disposal, as an amount within the right of disposal is set aside for a certain purpose.

4.1 Decision template – DECISION on CONTRIBUTION

The following information should be entered on the form:

Heading	Content
Department	Department making decision
Division	Division making decision (where applicable)
Date of decision and decision number	Date and decision number
Reporting	Programme officer
Case number	"Case no" in e-doc
Approved by and signature	Name of manager making decision, and signature
Present	Names of persons who sign that they are present
Consultation with	Names of persons who have been consulted. Should always happen when delegating to another department/division or when transferring to an embassy or SDC. Documented via signature or – for embassy or SDC – via email or facsimile
Account string	Fields 2-4 should be filled in. Fields 1 and 5 are filled in if required. Org. division (field 2) refers to the organisational division with the right of disposal.
Allocation account	State
Copy to	Everyone who has taken part in the decision (present or in consultation) and any others who may have an interest in the decision. NB decisions on delegation that are to be reported to an embassy or SDC must also be written in English
Subject sentence	Decision heading, e.g. "project xxx"
Background	Describe background to contribution. Suggestion: With reference to <i>(state delegation decision through which the right of disposal was received and any basis for the decision)</i> it is suggested that <i>(state contribution)</i> be decided with a total budget of <i>(state total amount)</i> and poss. multi-annual period <i>(state any distribution per year)</i> .

Heading	Content
Decision	<p>The decision is formulated as <i>that</i> clauses and can refer to:</p> <ul style="list-style-type: none"> • Contribution • Appropriated funds • Appropriated funds from appropriations in future years (authorisation) <p>Ex of <i>that</i> clause for contribution: <u>That</u> (state the contribution designation) shall be carried out during (state period, possibly split into years and amounts) according to (state where the proposal is, e.g., enclosed assessment memoranda or the proposal above)</p> <p>Ex. of <i>that</i> clause for appropriated funds: <u>That</u> (state amount) is allocated from (state appropriation designation)</p> <p>Ex of <i>that</i> clause for appropriated funds for appropriations in future years: <u>That</u> for the purpose allocate (state the total expenditure that should be financed with appropriations in future years that have not yet been received) from received (state authorisation frame)</p>

Appendix 2

Agreement Conditions in PLUS

From 2007, agreement conditions must be followed-up according through PLUS for all new contributions. The SDC has decided that the follow-up should also be made for all contributions that were valid in 2007 (status A).

This is how to do it:

- 1) Open “Economa/Planning system” and choose “Contribution”
- 2) Fill in Contribution ID. (If you don’t remember it search with F2, when the correct contribution is shown, click on the “Agreem”-button at the bottom right side. The routine “Agreement/Decision” will be opened.
- 3) Click the rightmouse button and choose “Agreement cond.” in the list, and the form “Monitoring of Agreement conditions” opens up. Fill in
 - the kind of report or action required according to the agreement
 - the date when the Embassy should have received the report
- 4) When the report has been received, open the space according to 1–3) above and fill in “Received on/comments”:
 - the date of receipt,
 - whether it has been approved (or other relevant comment)
 - your signature
- 5) If reports have not been received on time open the space according to 1–3) above and fill in “Received on/comments”:
 - date of reminder or other action
 - what you have done
 - your signature
- 6) Regularly check your personalized report (at least once every two months, you can put it as a reminder in the Notes system).

You find the LIS report at iNSIDE. Select “Supporting Functions” and LIS. There you make a right click on “Officer Info” and select “Save target as...” Now you select where you want to save your report. Open the report from Excel (or double click the report where you have saved it) and write your PLUS-identity in the space “Select officer” or scroll down and press Enter for the document to open.

This report will be updated the day after you have filled in the information in PLUS

This routine will help you to remember when reports should have been received, and to document the actions you take if you don't receive them.

Appendix 3

Cheklis for Programme Officers

Cheklis for Programme Officers' follow-up on Agreements and Contributions

Review of Agreements in PLUS

Check that:

1. agreement period and agreed amount entered in PLUS correspond to the current agreement with possible extensions.
P2:3 Planning reports – lists agreements, contributions and components.
2. Distributed Agreed Amount (DAA) is correct.
P2:3 as above.
3. all agreement conditions/criterias are entered in PLUS and correspond to the agreement.
L106 Conditions in Agreement – lists agreements and filled in conditions with due dates.
4. party to the agreement has been stated when type of agreement is agreement (and not internal decision).
L101 Planning Overview – lists agreements with agreement party, in the pivot table Agreement, code 0000 Internal decisions and 9999 Misc have to be changed to the correct code for the agreement party.
5. agreements are completed after that all agreement-bound reporting has been approved and any due reimbursement has been received by Sida. Then should the contributions be classified as completed, C.
L105 Not valid agreement period – lists contributions in status A where the agreement period is not valid.

Review of Contribution in PLUS:

Check that:

1. the contribution's status is correctly stated, completed contributions are classified as completed, C, and that contributions with statuses I and P that will not be implemented are classified as rejected, R.
P2: 2 and P2: 3 lists agreements and contributions or agreements/contributions/components.
2. the contribution's/s' total DAA does not exceed the total agreed amount.
L902 AgrAmount smaller than DAA total_x – lists agreements where the contributions total DAA exceeds the agreed amount.
3. the Forecast corresponds with the expected outcome by the end of the year, click on the forecast button and a list of the contribution's components will be shown.
P2: 3, above.
4. the component's/s' distribution (forecast) current year is not lower than the component's/s' costs (disbursed).
LIS-report L904 FC2007 smaller than Disb2007 – lists contributions with Forecast 2007 that are lower than the results 2007.
5. the contribution is linked to the correct appropriation account.
PLUS-report P18: 1 Checklist Contribution - check that the appropriation account for the appropriation item that was stated in the decision is registered on the contribution in PLUS. Check should be done at bi-annual and annual closure of accounts.
6. the amounts booked on the component are correct. Print out of reports and checks on amounts booked should be done only after that each month's accounting been closed. Time for closing of monthly accounts is published monthly on Inside (roughly 8–10 days into next month)
P2: 4 Component Disb. /period – for checking that the components that should not have any disbursement during the current month actually have 0 in booked amount.
P1: 3 Details – for control of booked transactions.

After the check-up of the two above reports is done discrepancies shall be corrected/rebooked in PLUS and measures taken shall be noted on the reports and the responsible Programme Officer for the contribution shall sign it. When all Programme Officers have checked, corrected and signed the head of unit will sign the reports. When completed, the Finance Director at Sida HQs shall be informed. (For more detailed information on this matter please see Financial Handbook, chapter 9.0.0) The signed reports are kept for at least previous and current year.

7. the contribution's costs current year does not exceed the contribution total budget current year.
L901 DAA2007 smaller than Disb2007 – lists contributions with a lower distribution 2007(DAA) than the result of 2007.
8. the Contribution's total disbursed amount does not exceed the total DAA
L903 DAA total smaller than Disb total – list with Contributions that have total disbursement than total DAA.
9. the Contribution's total DAA from the start minus total disbursement does not show a negative balance
P18:2 Check Distr. Agreed Am – control report that shows total distributed agreed amount from the start of the Contribution minus total disbursed, including a warning if amount is exceeded. NOTE!: All "Obs"-marked posts shall be checked
10. a short summary of the contribution/project abstract is entered in PLUS
L107 Project abstract – shows Contributions' project abstracts in swedish and english
11. the correct Programme Officer is registered as responsible for the Contribution/Component
L102 Contribution Portfolio eller P 14:1 Per responsible officer
12. the field "Dev. Coop Agr" is ticked if the Contribution is part of a Development Cooperation Agreement
13. the Sector field in the statistic "screen picture" is filled in already when Contribution is in stage "I" (Indicative)
L102 Contribution Portfolio

Appendix 4

Checklist for Payments



Checklist for payments

A. Examination according to agreement conditions:

1. Has the financial report been submitted timely?
2. Has the narrative report been submitted timely?
3. Has the audit report and management letter been submitted timely?
4. Are all reports satisfactory?
Do you find the reports satisfactory or do you see any warning signals? If you are uncertain, please, contact the focal point for auditing.

B. Examination according to the financial handbook:

Generally

5. The invoice/request/letter shall be submitted in original
6. The disbursement document is addressed to Sida
When dealing with so called KTS cooperation, the invoice must be addressed to the cooperation partner c/o Sida and a disbursement request shall be attached to the invoice.
7. The payment voucher must be verified and signed by authorised signatories
8. Information about the reason for the payment (usually a copy or reference to an internal decision)
9. Name and address of the payee
10. Requested amount
11. Due date

Payments in Sweden

12. Plusgiro or bankgiro number
13. or bank account (incl. clearingnumber) and the name and address of the bank
14. Supplier's corporate ID number

15. Supplier's VAT registration number
16. Information about F tax on invoices regarding services
Invoices from private persons who don't have F tax should be sent to PEO/HR.
17. Information about VAT (where applicable)

Payments abroad

18. Complete information on bank account/IBAN No.
19. Bank, bank address
20. SWIFT/BIC-code
21. The currency of the account, sort-code, clearing No. etc...
22. Within EU: VAT number if the invoice regards services

C. Examination of the accounting:

23. The account is correct
24. Contribution- activity-component is valid
25. The amount is in accordance with the disbursement document
26. VAT is disclosed

D. Other:

27. Only one invoice per LR form

If anything is wrong with the invoice you must ask for a credit note. Both should be sent to Ekonomi (please note that invoices are never allowed to be thrown away).

For any queries, please, do not hesitate to contact EKONOMI!

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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