

CSCF GUIDANCE NOTE - "ANNUAL" & "PROJECT COMPLETION" FINANCIAL REPORTS

June 2011

1.1 GENERAL:

Every project under this fund is required to submit an annual financial report relating to each DFID financial year (01 April to 31 March) throughout the lifetime of the project. At the end of the project, a summary financial report for the whole project period is also required. These financial reports must be submitted together with the relevant technical progress reports and other supporting documentation. This guidance covers the financial reporting only.

1.2 ANNUAL FINANCIAL REPORTS:

1.2.1 Submission Deadlines:

Annual financial reports are required to be submitted with the annual narrative progress reports according to the deadlines identified in your Grant Arrangement or in subsequent guidance (Annual reports for 2010-11 are all due by 30 June 2011 - but please note that these timings may change for future years).

1.2.2 What goes into this Report?

The annual financial report is designed to show the details of actual project expenditure compared to the agreed budget and to highlight the differences between the two. The financial report requires this information for both the DFID grant contribution and, if the project is not 100% DFID funded, for the "Total Project Budget" relating to the total project transactions for the relevant Financial Year (i.e. including both DFID and other funding). Please see the Annual Financial Report template on the CSCF section of the DFID website. The main headings for the annual financial report are as follows:

BUDGET HEADINGS	TOTAL PROJECT BUDGET (including DFID and other Funding)				DFID CONTRIBUTION (DFID Only)				NOTES ON VARIANCE OF +/-10%
	TOTAL PROJECT BUDGET	TOTAL ACTUAL PROJECT EXPENDITURE	TOTAL VARIANCE IN	TOTAL VARIANCE IN	AGREED DFID BUDGET FOR	DFID ACTUAL EXPENDITURE	VARIANCE IN	VARIANCE IN	NOTE No.
	FY XX/YY	FY XX/YY	£	%	FY XX/YY	FY XX/YY	£	%	
	A	B	C (A-B)	D (C/Ax100)	E	F	G (E-F)	H (G/Ex100)	

- (a) **Budget Headings, Items & Budget Amounts:** The Annual Financial report's budget headings and budget items should follow the same structure and level of detail as the most up-to-date agreed budget used for the preparation of your current Grant Funding Agreement (or Revised Grant Funding Agreement). It is important to NOTE that the Annual Financial Report budget must include a detailed breakdown of budget items and NOT be based on the summary Budget headings only (which are normally used on quarterly claim forms).
- (b) **Actual Expenditure for the Financial Year:** This column should capture (for every individual budget item) the actual expenditures incurred over all four quarters of the relevant financial year. Figures are required for both the total project expenditure against the total project budget and the DFID grant expenditure against the DFID contribution. The total of the "DFID Actual Expenditure" should equal the sum of all the actual expenditures reported on the quarterly claim forms submitted for the project in the relevant financial year. Please note that DFID's funding policy defines "Actual Expenditure" as expenditures that have actually been incurred

and paid for within the reporting year. Actual Expenditures should NOT include accruals and/or commitments.

- (c) **Variances (Amounts and Percentages):** Your report should include a calculation of the differences between the budgeted amounts and actual expenditures for each budget item. The variance amount is computed for each budget line by subtracting the actual expenditures from the budgeted amounts. A positive result denotes an under-spend and a negative result denotes an over-spend. The report also requires the calculation of the variance as a percentage (i.e. the item variance amount divided by the budget amount and multiplied by 100%).
- (d) **Variance Explanations:** Once the variances have been calculated, all variances above 10% need to be supported by detailed justification irrespective of whether they are negative or positive. The explanations should be specific to the relevant budget item. Please refer to budget heading/budget line numbering and also to logframe outputs and indicators as applicable and include explanations of any changes to the total number of units compared to forecast, or the cost per unit. Please note that the Terms and Conditions of CSCF grants require grant holders to request approval in advance for any transfer of funds between budget sub-headings and any transfers of >10% within budget sub-headings. If the variance has already been approved, please state this clearly and provide the date of the confirmation of approval.

Please check that the information you are submitting is complete and accurate and then send via email with the relevant annual narrative progress report to cscfreports@tripleline.com. Please ensure that you include the CSCF project reference number in the 'Subject' of the e-mail.

In order for you to cross-check whether your financial report information is complete and accurate, please check the following:

- Does the report include a detailed breakdown of the agreed budget for the period 1st April to March 31st March, for both total budget and the DFID contribution?
- Does the total DFID budget for the year correspond to the most recently agreed Grant Arrangement or revised Grant Arrangement for the period?
- Does the breakdown of expenditure per main budget sub-heading match the expenditure reported in the certified statements of expenditure received in support of claims?
- Have significant budget variances been clearly explained? If there was an approval of these variances has this been clearly stated?

1.3 PROJECT COMPLETION FINANCIAL REPORTS:

1.3.1 Submission Deadlines:

End of project financial reports must be submitted together with the associated summary narrative report and other required 'Project Completion Report' documents within three months of the project end date.

1.3.2 What goes into this Report?

The Project Completion Financial Report has two main components (see the Project Completion Financial Report template on the CSCF section of the DFID website):

- A normal **Annual Financial Report**, that covers the last financial year of the project. This should be completed in exactly the same way as the other Annual Financial Reports (see section 1.2.2 above).

- **Financial Summary Report.** This is essentially a summary of the actual expenditures over the life of the project. This report does not need to include the same level of detail as the Annual Financial Reports. It is sufficient to include the sub-totals for each of the summary budget headings: Capital Costs, Local Staff, Overseas Administration etc.. The structure of the template is as follows:

BUDGET HEADINGS	Agreed TOTAL DFID Budget Over Project Life (GBP)	DFID Actual Expenditures FY 1 (GBP)	DFID Actual Expenditures FY 2 (GBP)	DFID Actual Expenditures FY 3 (GBP)	DFID Actual Expenditure FY 4 (GBP)	DFID Actual Expenditure FY 5 (GBP)	TOTAL DFID Actual Expenditure Over Project Life (GBP)	TOTAL VARIANCE Over Project Life (GBP)	TOTAL VARIANCE (Over Project Life) %	Notes on variance No.
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If your project is not 100% funded by DFID, similar summary level information is required to indicate the total project budget (i.e. including funds from DFID and all other sources), the total actual expenditure and the variance over the whole lifetime of the project. The template includes a separate table for this and there is also a separate worksheet for notes on the overall summary variance.

1.4 OTHER FINANCIAL / ACCOUNTING REQUIREMENTS AT PROJECT CLOSURE

When your project comes to an end you must also provide:

Within 1 (one) month after project end date:

- A statement of expenditure (SoE) (for those that claim in advance); and for those that claim in arrears, a completed arrears claim form showing cumulative actual expenditure against the budget for the final financial year.
- The return of any unspent advance funds held by the grantee.
- A completed inventory form for assets to clarify the status of project equipment and other capital items procured with DFID grant funds. This inventory form should include all project assets with original purchase value of £1,000 and over, but also assets that have a value less than £1,000 but are termed attractive (e.g. electronic equipment). The document should be completed with suggestions on how each asset should be treated (e.g. transferred to local partners, sold, etc.).
- Where appropriate, letter(s) confirming transfer of asset(s) to agreed parties.

4 months after the end of the relevant (organizational) financial year (or as otherwise agreed in writing with the Fund Manager):

- Your organization's annual audited accounts for each financial year in which you received or expended DFID funds.

1.5 REPORTING PERIODS FOR PROJECTS THAT DO NOT END ON 31 MARCH

DFID Projects work to DFID financial years (01 April to 31 March). However, individual projects may end at any time during the financial year. As stated above, the Project Completion Financial Report must be submitted with the narrative report and other required documentation within 3 months of the agreed project end date.

If the project end date extends more than three months into the next financial year, a separate Annual Report (financial and narrative) will be required for the last full financial year. This should be prepared

following the above guidance on annual financial reporting. The financial and narrative reporting on the final (partial) year can then be combined within the project completion financial (and narrative) reports.

Please note: even if your project ends less than three months into the following financial year, you will still be required to provide (by 30 April), summary information on the expenditure in the last full financial year. For those that claim in advance, this will be in the form of a statement of expenditure (SoE); for those that claim in arrears, this will be in the form of an arrears claim for the final quarter. At the same time, you must also complete an Inventory form to clarify the status of project equipment and other capital items procured with DFID grant funds and where appropriate, letter(s) of asset transfer. The following two examples clarify the requirements for a project ending less than three months into the next financial year, and another ending more than three months into the following financial year.

Example 1: For a project ending on 31 May 2012 (*Less than 3 months after FY end*), you will need to submit:

- a) By 30 April 2012 (i.e. one month after financial year end) - a statement of expenditure (for those that claim in advance) or an arrears claim providing summary actual expenditure against budget headings for the year 01 April 2011 to 31 March 2012;
- b) By 30 June 2012 (i.e. one month after the project end date):
 - o a statement of expenditure (for those that claim in advance) or an arrears claim providing summary actual expenditure against budget headings for the year 01 April 2012 to 31 May 2012;
 - o The return of any unspent advance funds held by the grantee
 - o A completed inventory form to clarify the status of project equipment and other capital items procured with DFID grant funds.
 - o Where appropriate, letter(s) of asset transfer.
- c) By 31 August 2012 (i.e. 3 months after the project end date) - a Project Completion Report with all required documents including detailed Annual Financial Report(s) covering the 14-month period 01 April 2011 to 31 May 2013, and a summary financial report covering the whole project lifetime.
- d) By 4 months after the end of the relevant (*organizational*) financial year (or as otherwise agreed in writing with the Fund Manager) - Organizational accounts for each financial year in which you received or expended DFID funds.

Example 2: For a project ending on 31 July 2012 (*More than 3 months after FY end*), you will need to submit:

- a) By 30 April 2012 (i.e. one month after financial year end) - a statement of expenditure or an arrears claim providing summary actual expenditure against budget headings for the year 01 April 2011 to 31 March 2012;
- b) By 30 June 2012 (i.e. three months after the financial year end) - an Annual Report for 2011-12 including a detailed financial report for the period 01 April 2011 to 31 March 2012;
- c) By 31 August 2012 (i.e. one month after project end date):
 - o A statement of expenditure (for those that claim in advance) or an arrears claim providing summary actual expenditure against budget headings for the year 01 April 2012 to 31 July 2012.

- The return of any unspent advance funds held by the grantee
 - A completed inventory form to clarify the status of project equipment and other capital assets procured with DFID grant funds.
 - Where appropriate, letter(s) of asset transfer.
- d) By 31 October 2012 (i.e. three months after project end date) - a Project Completion Report with all required documents including a detailed Annual Financial Report for the period 01 April 2012 to 31 July 2012, and a summary financial report covering the whole project lifetime.
- e) By *4 months after the end of the relevant (organizational) financial year (or as otherwise agreed in writing with the Fund Manager)* - Organizational accounts for each financial year in which you received or expended DFID funds.