

Partner manual for digital FACT

What is FACT?

The Financial Administrative Capacity Tool (FACT) is used by ForumCiv to assess partner organisations' financial and administrative capacity. The FACT-assessment itself is based on a set of questions divided into the following areas:

- The organisation (staff, signatories, delegation of authorities, donors, approval of costs)
- Budget (project budget, consolidated budget, financial follow-up, notes of budget approval)
- Accounting (system, chart of accounts, reconciliations, cash management)
- Guidelines and manuals (financial manual, procurement manual, anti-corruption policy)
- Audit (auditor agreement, ToR for audits, project audit, organisational audit, internal audit)

The FACT should not be considered as a complete tool for financial and administrative assessment and should be adapted to the context and organisation to which it is applied. For each assessment, questions that are missing should be added while questions that are not relevant should be skipped.

Digital FACT

The recent developments in travel and restrictions of physical meetings have required different approaches to how we do our work, not the least partner meetings and follow-up visits. ForumCiv have therefore done a digital adaptation of the FACT which this manual describes.

The Digital FACT can be used for regular organisational assessments, spot-checks and capacity-building. Therefore, you will hopefully find it useful not only as a tool for monitoring but also in strengthening your organisational capacity and increasing the understanding of new or existing partner organisations. While there are many benefits with the digital FACT, it requires the organisation to be assessed to have access to video communication, a stable internet connection and a scanner. This may exclude some organisations and need to be considered beforehand.

The process

The success of the digital FACT rests on two main factors, that all the steps of the process are given time and attention, and that the assessment is carried out by persons, preferably two, with good knowledge of the organisation and its activities, and experience in bookkeeping and internal financial control. As you will read in detail below, the assessment starts with the document review before moving on to the assessment meeting with the organisation, followed by potential completions, the concluding analysis and if needed a follow-up plan. Joining the operational and financial perspectives throughout the whole process will make the most of the assessment and ensure the findings that are useful for the organisation and yourself.

Preparing the assessment

When planning the digital FACT, make sure that you schedule sufficient time for the assessment meeting. 2-3 hours is recommended to also give time for potential follow-up questions.

In **Appendix A** you will find an invitation letter template to send to the organisation briefly explaining the FACT-assessment process together with a document list informing what the organisation needs to scan and send to you for review before the assessment. Note that you may need to specify what certain documents refer to, for example the project-related documents. With some re-phrasing the list can easily refer to documents related to projects or activities supported by other donors.

It is recommended that the organisation receives the invitation and the document list at least a month before the assessment meeting, and that you receive scanned copies of the documents at least two weeks before to have time to prepare.

Assessment

The FACT-assessment consist of a set of questions divided into five main areas which you will find in the assessment template in **Appendix B**. All the questions in the template have examples of answers or guidance on what to look for during the assessment. As mentioned, you can add and skip questions and assessment areas depending on their relevance and applicability in relation to the context and the organisation. In turn, additional questions may of course arise later in the process. Remember to continuously include these in the assessment template.

Some of the questions are best answered during the document review. This will help you to prepare for the meeting and make it more effective. Moreover, make sure that you are familiarised with the questions before the meeting. It is very important that you understand the meaning and purpose of each question to assess the organisation's answer. Ask yourself if you know what type of answer each question demand and what follow-up questions are relevant in case you need to dig deeper or clarify what you are looking for. Do not be afraid to continue to ask questions until you get satisfactory answers. If an organisation cannot answer a question this should be clearly stated.

The assessment meeting also requires that you are familiarised with the documents in the document list. It is important that you know the purpose of each document, what information it should contain and who can/should take part of it in an organisation. In turn, all documents in the list may not be relevant for all contexts and organisations. Asking yourself what documents are “must haves”, “should haves” and “nice to haves” in relation to organisational and contextual differences can be a good starting point.

Note that spot-checks are part of the assessment meeting and require the organisation to show specific documents for the camera. All spot-checked documents should be sent as scanned copies after the meeting for analysis and verification.

Record the assessment meeting if possible. This is a great complement to the notes for the analysis afterwards but also serves a purpose in terms of internal control and transparency.

Analysis and follow-up

When you have looked at the documents, conducted the assessment meeting and have your questions answered, spend some time to analyse your findings before filling in the Conclusions-section.

Remember to include any answers to follow-up questions and spot-checked documentation in your analysis if this is the case. Discussion is very important at this step for deciding what findings need to be followed up and how, which is why ForumCiv recommend that two persons conduct the assessment. This can be challenging depending on whether any general conditions and existing praxis can be followed when handling the findings.

If your conclusion results in that follow-up of the findings is required, this should be explicitly stated and formulated into concrete tasks in the assessment template. It should be clear and understandable to the organisation what it is required to address, by which time and how it will be followed-up.

When the assessment is completed, make sure that everything is filled in and save the assessment template as a pdf and send it to the organisation.

Process summary

- Familiarise yourself with the assessment template and the document list
- Make sure that the organisation has access to video communication, stable internet and a scanner
- Schedule the assessment (2-3 hours), send an invitation and the document list in advance (minimum 1 month)
 - If needed, make specifications in the document list
- Review the organisation documents ahead of the meeting, (minimum 2 weeks).
- Conduct the assessment meeting
 - If possible, record the meeting
- Analyse the findings
 - Include documentation received after the meeting
 - If applicable, formulate concrete tasks to follow-up, when and how
- Save the assessment template as pdf and send to the organisation

Good luck!

Appendix A – Invitation letter template and document list

Letter template for invite to assessment

Dear organisation,

We would like to invite you to a digital meeting for a financial and administrative capacity assessment of your organisation. This kind of assessment is done for the purpose of regular monitoring, to increase our understanding of your organisation, find out how we can strengthen our partnership and/or build capacity.

The assessment is based on ForumCiv's Financial Administrative Capacity Tool (FACT) which looks at the structure of your organisation, the work of your board, how you work with budgeting/accounting and auditing, etc. This will hopefully provide insights into how and in what aspects you can strengthen your organisation's financial and administrative capacity.

Before our meeting we would like you to gather and send some documents that we wish to look at and discuss together. The list of documents is attached to this mail. Please send scanned copies of these to me at least **NUMBER OF** working days before the meeting. If you do not have all of these documents, don't worry.

The assessment will require video communication during the whole meeting, and thus a stable internet connection. **IF RELEVANT, ADD INFO ON VIDEO COMMUNICATION**. If you have any questions or concerns regarding this, let me know as soon as possible so we can ensure that the assessment is carried out in a smooth and constructive way.

In order for us to have an interactive discussion, it is important that the following persons take part in the meeting:

- a board member, or someone with great knowledge of its work;
- a staff member working with the organisation's finances, or someone with great knowledge of it;
- a project manager or equivalent.

We are looking forward to the assessment. If you have any questions before we meet, do not hesitate to contact me.

All the best,

Document list for organisation to send ahead of assessment

Remember to specify project documents, etc. if relevant

- 1. The organisation's latest formalia documents**
 - 1.1 Signed annual meeting minutes**
 - 1.2 Signed activity report**
 - 1.3 Signed annual report incl. income statement and balance report**
 - 1.4 Audit report, signed by external auditor or trustee auditor if internal**
 - 1.5 Signed document confirming authorised signatories**
 - 1.6 Statutes with date of approval**
- 2. The organisation's delegation of authority**
- 3. Organigram**
- 4. List of donors**
- 5. If applicable, signed agreement with subsequent partner**
- 6. Signed project budget (if applicable, the last agreed)**
- 7. Latest project annual financial report**
- 8. Any documentation showing approval of budget changes**
- 9. If applicable, signed document confirming fund transfer from subsequent partner**
- 10. The organisation's consolidated budget**
- 11. General ledger**
- 12. The chart of accounts**
- 13. Latest bank account reconciliation**
- 14. Financial manual**
- 15. Rules for procurement**
- 16. Anti-corruption policy**
- 17. Signed agreement with auditor**
- 18. Signed audit instructions for project (ToR) if not part of auditor agreement**
- 19. If applicable, signed audit report of subsequent partner for all years of the project**

Appendix B – Assessment template

Organisation:	Project(s):
Conducted by:	Date completed by:

Assessment questions

Write your answer under each question. Remove the instructions/support texts when you are done.

I. The organisation in general

I.1 How many registered members does the organisation have?

Is there a member register with names and contact details? Is open membership to the organisation declared anywhere? How many members attended the last annual meeting (if such meetings are held)?

Can be verified by the meeting minutes and the statutes.

I.2 How many volunteers are usually working for the organisation?

Describe tasks usually performed by members and/or volunteers.

I.3 Does the organisation have annual meetings?

Verified by the statutes.

I.4 How is the board elected/appointed?

Verified by the statutes.

I.5 Who has the authority to hire staff and decide on salary levels? How are salary levels and remunerations decided?

Can be verified by a staff manual and/or salary policy.

I.6 How many are employed in the organisation? How many are paid? Are there job descriptions for different positions?

I.7 Is there an internal auditor? How has that person been elected/appointed?

Verified by the annual meeting, financial report and/or statutes. Shows that there is some form of internal control in the organisation.

Should be independent from the board (chosen by the members at annual meeting, not participate in the financial decisions of the board, not have familial or legal relations to anyone in the board). Should regularly (at least once a year) audit the board.

1.8 Who are the authorised signatories?

E.g. the chairman, the CEO and the financial manager.

1.9 Is there a document that shows the delegation of authority?

E.g. the statutes and/or a document from the authorities.

1.10 Is there a policy that shows who can approve certain costs?

E.g. the financial manual and/or the statutes.

1.11 How many persons are working with the finances?

1.12 How many donors does the organisation have?

1.13 How do the agreement with the subsequent partner look?

All partners should present the same agreement. Is it in line with the agreement with your organisation? Are there any deviations? Does the agreement meet the standards you use?

2. Budget

2.1 The budget for the project funded by your organisation

Check that the budget is in line with the agreed budget.

2.2 Has the budget for the project been changed?

Which budget lines? Has your organisation approved the changes?

2.3 How is the budget shared within the organisation?

E.g. at monthly meetings, weekly meetings. Are all members of the staff attending these meetings? If not, who are?

2.4 How often are cash flow analyses being carried out / Liquidity planning?

When are the responsible persons at the organisation discussing the financial status of the intervention? Is there always enough money in the bank account to cover the expenses? How is this discussed? By whom?

2.5 The disbursement requests from this year.

What are the amounts requested from the organisation or your organisation during the last 12 months? Do the requisition forms fulfil the standards you use?

2.6 The consolidated budget for the organisation.

Is there a consolidated, total budget for the organisation? How can the project budget be found in this budget? Cost centers, intervention, activity to separate.

2.7 Meeting minutes for when the consolidated budget was approved.

Are there minutes from when the budget was approved? Who attended the meeting?

3. Accounting

3.1 The chart of accounts.

Ask if the international standard chart of accounts is used.

3.2 The latest bank account reconciliation of the funding from your organisation

When was the last reconciliation (control) made against the project's costs? Check against the latest financial report. State how much money there is in the bank account.

3.3 Check supporting documents and verifications of costs.

Spot-check: Pick random costs from the general ledger and ask for their supporting documentation to verify. Note that all spot-checked documents should be sent as scanned copied after the meeting for analysis and verification.

Standard costs to verify should include:

- Tax is deducted and social security contributions are paid (verified by pay-checks and payments to tax authority).
- Workshops (verified by participants lists with place and date, receipts for food, invitation, schedule for the event, receipts signed by participants).

Other examples to verify:

- A random cost per month during the last 12 months.
- Consultancy.
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There should be a clear link between the petty cash/bank statement and the journal voucher/invoice depending on how it has been paid for. The number on the invoice/journal/voucher should match the number in the general ledger.

3.4 Check books and cash management.

Spot-check: Make sure that no checks are signed without an amount and description written on them.

Regarding cash: any advance cash payments? Any limit of cash payments and amount of cash at the office? How is the cash accounted for? How much cash is in the petty cash box? Are there any policies limiting the amount of cash at the office?

3.5 Which accounting system is being used?

Which system is being used? Is it a computerised system? Are there more than one accounting system?

3.6 Check if there have been procurements

Spot-check: If so, does it follow the procurement policy? Have price comparisons/quotations been obtained?

4. Guidelines and manuals

4.1 The financial manual.

What is the level of detail? Are there job descriptions?

4.2 Rules for procurement.

Are they in line with the procurement policy you use?

4.3 Anti-corruption policy.

Is it in line with the anti-corruption policy you use?

5. Audit

5.1 The agreement with the auditor.

Has the ToR provided by your organisation been used? If not, what are the differences between the one used and the one provided by your organisation.

Is the auditor certified? How long has the auditor been used? What is the name of the auditor and audit firm?

5.2 The latest project audit report

Has it been done in accordance with, if applicable, ForumCiv's audit instructions? What are the conclusions from the auditor? State the deviations and/or recommendations and list the audit findings. Is there a management response?

5.3 The yearly organisational audit report

Is there a yearly audit for the organisation? What are the conclusions of the auditor?

For core support: Do the audit show income from and expenditures allocated to each source of income? Does the financial information in the audit reports correlate with the budgets and financial reports? Any system audit done on the organisation recently?

5.4 The internal audit report

Are there internal audits being carried out? What tool is used?

6. Conclusions

6.1 Most important findings

Write a brief analysis of your most important findings.

6.2 Findings to follow-up

Note any findings that should be followed-up and whether they require an action plan from the organisation.

If there are no findings to follow-up this should be stated.

Document list with explanations

I. The organisation's latest formalia documents

I.1 Signed annual meeting minutes

To look into level of democracy. Democratic process for determining e.g. how the organisation's resources should be used and whether the board is given discharge.

Any familial or legal relations to consider in the organisation?

I.2 Signed activity report

Outline the organisation's operations during the last year. Presented at the annual meeting and follow the organisation's vision, mission and values. Does the organisation include own activities to specifically raise funds? What are these?

I.3 Signed annual report incl. income statement and balance report

The income and expenditure statement presents the net profit/loss of the year. It includes all the revenues and expenses the organisation has had during the year. The balance sheet gives a snapshot of the organisation's assets and liabilities at a given date. A cash flow statement shows how cash enters and leaves (only applicable for bigger organisations).

Is the result stated in the income statement the same as stated on the balance sheet? Are assets, equity and liabilities included in the balance sheet?

Where does the annual revenue come from? What do the annual expenses go to? Does the organisation have equity, and if so, how much? Is the organisation dependent on a single/few/ or several diverse sources of income? What are the organisation's current assets? What are the organisation's current liabilities? Cash liquidity?

I.4 Audit report, signed by external auditor or trustee auditor if internal

Does the auditor grant the board discharge from responsibility? Is the auditor of the report internal or external? If external, is the person qualified?

Has the auditor made any remarks? Does the organisation have an action plan to address the audit remarks? Has the organisation taken necessary actions to address any previous audit remarks?

I.5 Signed document confirming authorised signatories

Every organisation appoints its authorised signatories. This is usually done by the board at its first meeting after the Annual Meeting.

I.6 Statutes with date of approval

Describes the aim and vision and the overall governance of the organisation.

2. The organisation's delegation of authority

What is the responsibility of the board? Is there staff? What are their responsibilities?

3. Organigram

To see how the organisation is structured.

4. List of donors

Is it clear who the donors are? Is that information shared internally and externally?

5. If applicable, signed agreement with subsequent partner

To see to what extent, it reflects the agreement signed with your organisation. How much information is available to the subsequent partner? The agreement should include the relevant documents (e.g. agreement doc, budget, matrix, general conditions, audit instructions, procurement, anti-corruption).

6. Project budget

If adjusted, there should also be a detailed budget on which this is based.

7. Latest project annual financial report

This should be available to all in the organisation.

8. Any documentation showing approval of budget changes

There should be approval decisions from your organisation.

If applicable, there should be a budget in SEK that is part of the agreement and a budget in the local currency.

9. If applicable, document confirming fund transfer from subsequent partner

Compare with requisitions.

10. The organisation's consolidated budget

Does it have one? This should include other donors. Can the meeting minutes verify whether the consolidated budget was approved?

11. General ledger

The bookkeeping sorted according to the chart of accounts. Should give an overview of the transactions during a given time period. It should be easy to read the income statement and balance sheet.

12. The chart of accounts

This is needed to be able to have a proper accounting process. ForumCiv uses a European standard, but organisations are free to go by other standards.

13. Latest bank account reconciliation

Almost all organisations have funds that are transferred to a bank account. This is to show how much has come in and how much has been taken out. In Sweden this is looked over/documentated every month. Each transaction has a number that should be able to trace to the bookkeeping program or the bookkeeping book. There should be vouchers for all transactions and there should be supporting documents for these vouchers. All vouchers should be signed – to show that the transaction has been approved. The type of supporting documents can vary depending on the type of activity and the context. There should be a general ledger for the entire organisation, and within that, there are more detailed sections.

14. Financial manual

A document describing how the financial routines look like. Who signs and oversees what, rules for petty cash? A smaller organisation might not have this document established but should have some set of routines.

15. Rules for procurement

Organisations can use ForumCiv's version.

16. Anti-corruption policy

Organisations can use ForumCiv's version,

17. Agreement with auditor

If the sum is big enough, there is a procurement process, and then there is an agreement. But in general, there should be an agreement for good practice. In Sweden, the organisation's members choose the auditor. In practice, the auditor is usually appointed by the organisation to audit a certain project.

18. Signed audit instructions for intervention (ToR)

To see that it is clear what the auditor should look at. If the audit instructions already are a part of the signed auditor agreement, the ToR does not need to be signed separately.

19. If applicable, signed audit report of subsequent partner for all years of the project

To make sure that the project is correctly audited in all subsequent steps and that any findings has been communicated to the organisation.