

UPDATED JULY 2021

ANNEX 4:

FINANCE & ADMINISTRATION GUIDE FOR ILGA-EUROPE GRANTEES



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01. INTRODUCTION

ILGA-Europe, as a funder, aim to be flexible and respond to the needs of the grantees when possible. We attempt to limit administrative burden for our grantees while maintaining high standards of accountability towards the LGBTI movement in Europe and Central Asia and funders supporting our common work.

This guide aims to help all ILGA-Europe (IE) Grantees to understand their administrative and financial responsibilities. IE encourage all Grantees to read the following guide carefully and to raise any questions as soon as they arise. This guide is an Annex to the Grant Agreement and thus integral to it.



02. PAYMENT SCHEDULE



To receive a payment, you need to fill in, sign and scan a Payment Request Form (PRF). The first PRF should be submitted together with the signed Grant Agreement. Payment may take up to 4 weeks from submission of the PRF.

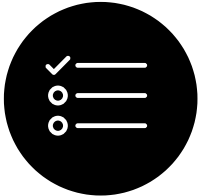
IE grants are paid in several tranches. The specific payment schedule will be specified in your Grant Agreement. A small part of the budget is paid at the end of the project after approval of final reporting. In other words, the full grant amount must be spent, reported and approved before the final tranche can be released. Exceptions to this rule can be made under certain conditions. Please check with IE if you think this might be needed.

Please note: if there is an underspend reported in the final financial report, the final tranche will be equal to the remaining balance of funds actually spent. Any unspent funds must be returned to ILGA-Europe.

Example:

- You receive a grant of €10.000
- Your grant payment schedule is two tranches of €8000 (first tranche) and €2000 (second tranche)
- You submit a PRF for first payment after the Grant Agreement has been signed. IE sends you the first tranche.
- During the project period, you must spend the full grant (€10.000) and report on the full amount. In other words, you must spend the entirety of the first tranche and spend the remaining €2000 of the project budget before receiving the second tranche, so you need to ensure you have enough cash to cover the payments.
- Only after the final report is approved will IE send you the €2000 second tranche.

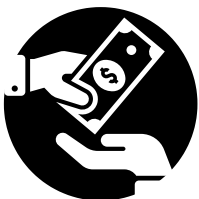
03. FINANCIAL PROCEDURES



a. Bookkeeping

Accrual-based accounting is recommended but not required. Cash-based accounting is accepted as long as income and expenditure remain clearly identifiable and verifiable. Please note that you will need to submit documentation of the cost (an invoice or receipt provided by the supplier when a good or service is supplied or provided to you) and separate documentation of the payment (e.g. bank statement showing that the cost was actually paid by you).

IE encourage you to create a specific account reference within your bookkeeping system to which all project-related expenses can be assigned.



b. Payments

Every cost included in the financial report must be supported by an invoice/receipt and a proof of payment that proves that you actually paid for the cost. The type of document that can serve as a proof of payment depends on the mode of payment.

All costs must be paid by the grantee or fiscal sponsor organisation. If individual persons (e.g. staff, volunteers) incur project costs, you must document that they have been reimbursed by the grantee or fiscal sponsor organisation.

i. Bank Payments

IE grantees are not required to open a specific bank account for the project. Bank accounts should be in the name of the grantee organisation or fiscal sponsor organisation. All bank transactions relating to project expenditure should be verifiable from bank statements or a bank transaction confirmation issued by the bank. The name of the account-holder and the name of the recipient of the transfer must both be visible.

FINANCIAL PROCEDURES CONTINUED

ii. Cash Payments

As proof of payment is required for all expenditure within the project, any payments made in cash must be duly recorded in a petty cash management system. A proof of payment in cash can be any one of the following:

EITHER an invoice that explicitly mentions « PAID IN CASH »

OR a signed petty cash log (a paper journal or digital file in which all incoming and outgoing cash is recorded); if digital, e-signatures can be used

OR a cash receipt/cash advance/cash reimbursement form signed by the recipient

Please note: for purchases made by staff/volunteers/members, you must show proof of this person receiving the advance or reimbursement.

Exception: Salaries paid in cash must always be accompanied by a cash receipt signed by the recipient and the payer specifying the amount, the date, the payer name, the recipient name, and the fact that it was paid in cash.

iii. Card Payments

Debit/credit card receipts are only considered proof of payment if the corresponding transaction can be identified in the Grantee's/Fiscal Sponsor's bank statement **OR** there is a documented link between the debit/credit card number and the Grantee/Fiscal sponsor.



c. Invoices & Receipts

Each piece of expenditure included in the report must be identifiable in an invoice or receipt issued by whoever provided the good or service. The invoice or receipt should detail at least the following details:

- Name of provider/supplier
- Date
- Item(s)/service(s) purchased
- Price

FINANCIAL PROCEDURES CONTINUED



d. Record Keeping

Soft copies of financial documents related to the grant must be kept for 8 years following the end of the project. Physical copies do not need to be maintained.

Confirmation emails from named or otherwise verified email addresses, as well as e-signatures, are considered to have the same value as hand-written signatures.

Audits by IE, its donors or outside experts may occur during this 8-year period. As an ILGA-Europe Grantee, you agree to provide all documentation as reasonably required during such an audit. Unless otherwise specified in the grant agreement, all costs of such an audit will be paid by IE.

Supporting documents should be provided in English or Russian if possible. If the documents are not in English or Russian and IE staff cannot understand the overall content of the document, you might be asked to help IE staff to understand the essential elements of the document, including providing short translations or annotated versions of documents (note that this does not need to be a certified translation).



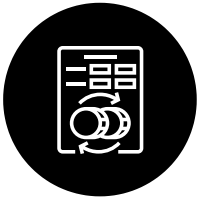
e. Decision Making

You are encouraged to use signatures of two persons for all documents relating to financial decision-making such as contracting services, validation of payments, sign-off on cash advances and bank transfers etc. This helps to strengthen internal control procedures and increase accountability. At the same time, we understand that organisations have different methods for assessing costs.

In smaller groups, it may be that the same person may authorise both the incurring and payment of costs. This is permissible if the cost of such items is low. However, if that person themselves is receiving money from the project budget e.g. as honoraria, a second representative from the grantee organisation must sign to approve the cost and its payment (i.e. a person cannot sign their own contract and also pay themselves an honorarium).

Please note: if a fiscal sponsor and grantee organisation are run by the same person, an alternative representative of the grantee or fiscal sponsor should ideally be the second signatory.

FINANCIAL PROCEDURES CONTINUED



f. Exchange Rate

All purchases and transactions incurred (invoiced or paid) are to be recorded and reported in EUR, noting in the financial report (Excel file) the original currency of the payment and the exchange rate applied.

You can apply your organisational policy for establishing exchange rate in your local currency and expenditures in a third currency (including in cash), as long as the source of the rate can be documented. You do not need to provide documentation of the exchange rate with the financial report, but may be asked to do so in case the logic is not clear during review of the financial report.

The same currency exchange rate method must be used throughout the project.

Whichever system is applied must be fair and not allow unreasonable currency gains/losses.

Common examples of exchange rate methods include official rates of the country's central bank on the date of payment, and exchange rate applied by the home bank on the day of tranche receipt.



g. Fiscal Sponsors

In certain funding programmes, ILGA-Europe is able to enter into trilateral agreements with a grantee organisation and a fiscal sponsor, which is a registered organisation that is able to receive funds on behalf of a non-registered grantee or a grantee that can for other reasons not receive funds directly from ILGA-Europe.

If a grantee works with a fiscal sponsor, both the Grantee and fiscal sponsor are able to incur and pay for costs within the frames of project implementation. All invoices paid within the projects must be addressed to the Grantee or fiscal sponsor, and contractual arrangements paid with project funding can only be signed by the Grantee or fiscal sponsor. If individual persons (e.g. staff, volunteers) incur project costs, you must document that they have been reimbursed by the grantee or fiscal sponsor organisation.

04. FINANCIAL REPORTING

The reporting requirements are outlined in the Grant Agreement.

Financial reports and supporting documents should be submitted to the relevant IE Finance Officer in electronic format according to the schedule outlined in your Grant Agreement. You can find their email address in the Grant Agreement. We recommend using secure methods of communicating and sharing materials such as encrypted emails, secured apps etc.

The financial report consists of an Excel file in Annex 2 of the Grant Agreement and digital copies of supporting documentation. Please see 3b, 3c and 5 of this guide for information about documentation requirements.

Any specific (exceptional) reporting requirements of your grant will be noted at the end of your Grant Agreement.

The financial report should detail how all grant funds were expended in accordance with the initial approved project budget.

The financial report contains several sheets:

a. Data: A summary of the grant details. No need to update anything here!

b. Budget: Approved when your grant is officially approved. No need to update anything here!

c. Narrative: Filled in to explain your budget calculations; usually filled in at the proposal stage. No need to update anything here!

d. Expenses log: For you to fill in when reporting! Budget items are listed in the same order as the approved budget proposal and a comparison between budgeted and actual expenditure is made. Please fill in all the columns of the report. Please do not change any formulae in the document.

FINANCIAL REPORTING CONTINUED

Expenses Log Guide

Document reference: this is an internal reference number that you give to each document. Please write this reference on the corresponding scanned supporting documents for ease of reference.

- 1. Date of invoice: the date that expenditure was incurred. Please note that this should fall during the project period.*
- 2. Invoice: the invoice/receipt number.*
- 3. Proof of payment: the reference number or name of the bank confirmation, petty cash document etc. (please see 3b)*
- 4. Mode of payment (e.g. cash, bank transfer etc.)*
- 5. Date of payment (this is not necessarily the same as date of invoice)*
- 6. Description: detailing the purpose for the expense*
- 7. Original currency – amount*
- 8. Exchange rate: please see 3f for information on exchange rates*
- 9. EURO – amount: this column calculates the euro equivalent automatically by multiplying the original currency by the exchange rate. Do not touch the formula!*
- 10. Category: please determine which category the expense is in relation to*

e. Actuals summary: The overall expenses listed in the 'Expense Log' tab should agree to the actual expense figures noted on the 'Actuals Summary' tab. If an error message appears in cell E13 of the 'Actuals Summary' tab, please check that all expenditure in the 'Expenses Log' has been given a category letter (column K). If differences are shown in the "Budget to Actual Difference", please provide a brief explanation for it in the "Explanation for Differences" column.



05. ELIGIBLE COSTS

Eligible costs are:

- Reasonable: costs which are generally recognised as ordinary and necessary, and would be incurred by a prudent person in the conduct of normal business
- Necessary for the implementation of the project and included in the project budget
- Identifiable: can be clearly identified in the accounts or tracking systems of the Grantee organisation
- Justified: backed up by relevant supporting documentation
- Incurred during the project implementation period or for services falling within the project period
- Fully paid within 30 days of the end of the project period

Expenditure is only considered eligible if an invoice/receipt and proof of payment have been provided (see 3b and 3c for more information).



a. Staff Costs

Total eligible staff costs can include:

- Net salary
- Social security payments deducted from gross salary
- Income tax deducted from gross salary
- Other employer charges
- Any other obligatory staff benefits that are outlined in the employment contract or elsewhere (e.g. employment policy), for example staff health insurance

Payroll systems across Europe and Central Asia vary and therefore IE do not have a fixed list of documents needed to substantiate staff costs charged to grants.

If you're not too sure how your country's payroll systems compare to these requirements, or you're not sure if your organisation's systems are enough, please reach out to us so that we can figure out what documentation you will need to provide.

Nonetheless, for every month that a staff cost is included, the financial report, documentation or additional explanations provided must show:

ELIGIBLE COSTS CONTINUED

1. The individual in question performed tasks related to the project based on:
EITHER a valid employment or service contract
OR a monthly payslip issued by a government agency or payroll-company/payroll software (where gross and net salary can be seen)
2. The specific amounts of net salary and all components of the contractual employment obligation (social security, income taxes, benefits, etc.):
EITHER in a written explanation
OR in an Excel table
3. That hours/days worked within the project during that month substantiate costs charged to the project
EITHER in a timesheet
OR other written confirmation of hours/days worked (Note: this can be a declaration of honour signed by the employee and employer stating the total number of hours or days worked monthly).
The percentage time spent on the project each month does not have to perfectly match monthly salary cost allocation, as long as this balances out over the whole project period.
4. That all payables have been settled both with the employee and any State or other tax or insurance agencies.

Please note: you must provide proofs of payment of net salary, but proofs of payment of taxes and benefits are not required.



b. Travel & Subsistence Costs

All travel and subsistence costs must be included in the original project budget, and must be necessary to the project implementation and at a reasonable rate. A written travel policy is not required, but you should ensure adequate value for money for travel and subsistence costs in accordance with your organisation's own procedures or protocols.

Only second-class or economy fares are acceptable. First class travel is only eligible in the case it can be shown by means of e.g. a screenshot that the first class is actually cheaper than economy class. Upgrades, extra legroom, seat purchase or onboard purchases are not eligible, unless otherwise specified.

Costs of travel and subsistence of accompanying persons (guardians of minors, assistants of persons with disabilities, care-takers for young children) and any similar access-related costs are allowable. However, such costs must be proven to be necessary for the successful implementation of the project and discussed with IE before being incurred and duly documented.

ELIGIBLE COSTS CONTINUED

i) Air travel

You will need to provide:

- An invoice or receipt indicating ticket price and passenger name
- Copies of boarding passes (outbound and return) in scan or photo. In the case of e-boarding passes, a screenshot or pdf must be provided.

ii) Land travel

- You will need to provide:
- A copy of the original ticket stub must be provided
- If the ticket does not indicate the price, an invoice or receipt featuring the price should also be provided

iii) Travel by private car

Petrol costs for private cars are only eligible in instances where it is impossible or uneconomic to utilise means of public transport. A short, written explanation for the use of a car must be provided at the point of financial reporting, including a brief comparison between prices of public transport and private vehicle journeys for that specific journey taken.

Car maintenance costs are not eligible.

iv) Per diems (or DSA – daily subsistence allowance)

You may cover the costs of subsistence and similar expenses either directly (e.g. ordering and paying for catering, or reimbursing invoices for meals of travellers) or through flat rate payments (per diems). Please note that each person's meal can only be covered once so, for example, if you're including lunch in someone's per diem, you cannot pay for their lunch separately as well.

Per diem (or DSA) rates are agreed in the project budget before the Grant Agreement is signed. The narrative budget specifies what costs the per diem is intended to cover.

The per diem rate cannot change unreasonably during the project implementation period and the approach to payment of per diem should be consistent throughout the project.

To document per diems, you should provide a paper/form/document indicating who is receiving this money, why, and for how many days. If the payment is made in cash, the paper must be signed by the recipient and payer.

ELIGIBLE COSTS CONTINUED



c. Operating Costs

Organisational operating costs are eligible if they are outlined in the original project budget. These may include but are not limited to:

- Office consumables (stationery, cleaning products etc.)
- Energy
- Water
- Communications (phone, mobile phone, internet)
- Regular support staff functions (accountant, cleaner etc.)
- Rent

If a lump sum per week/month or proportion of office costs has been budgeted as a contribution to regular operating costs, the narrative budget must include a rough calculation of how you calculated the percentage of operating costs. The percentage will depend on the organisation and the types of activities. This should be an indication that the calculation is reasonable e.g. based on staff time, office space, ILGA-Europe grant's contribution to the overall organisational budget etc. The grantee can then withhold an amount that is equivalent to that percentage of total direct costs without providing specific receipts or description of what those costs were. A cost allocation table is not needed. Some brief verification may be made during financial report review.

The percentage of operating costs can be changed mid-way through the project if there is a reasonable justification for it.



d. Financial Services

Bank fees and other financial services directly related to project activities are eligible direct costs, for example transfer fees. Documentation must be provided that indicates which specific fees are being charged to the project.

Alternatively, a contribution to bank fees for operating costs (e.g. account maintenance fee) can be included as a lump sum if this is included in the approved project budget (budget category F). In this case the agreed contribution is included in the financial report and no documentation is required.

ELIGIBLE COSTS CONTINUED



e. Equipment

Only equipment purchases included in the original project budget are considered eligible. For equipment purchases over €250 (laptops, projectors, furniture, etc.), only a contribution to the total cost can be included, preferably by depreciation to calculate the cost of “wear and tear” of the equipment for the duration of the project, or other consistently applied method to calculate a reasonable contribution.

Equipment purchases with a unit value under €250 can be included in their entirety, if they were included in the approved project budget.

As well as an invoice and proof of payment, please see section 6 for specific procurement documentation that is required for the purchase of equipment.

When in doubt, please contact the IE Grants and Financial Officer.



f. Contractual Costs

Projects will often require consultants or service providers to be contracted to provide services such as trainings, research etc. Contracts for goods and services paid with grant funds can only be entered into by the Grantee or Fiscal Sponsor.

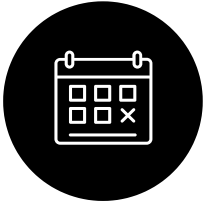
For any cost to be included in category “B: External Personnel”, you will need to provide:

- A service contract duly signed by the contractor and the Grantee or Fiscal Sponsor, with a detailed description of the work to be completed. The service contract should contain a minimum of:
 - *Task(s) to be carried out*
 - *Period of engagement*
 - *Name of contractor*
 - *Name of contracting party (Grantee or Fiscal Sponsor)*
 - *Terms of payment*
- An invoice or “Act of Acceptance” of work successfully executed signed by the contractor
- A proof of payment of the honorarium and any taxes paid by the Grantee or Fiscal Sponsor

Staff regularly working on the project (e.g. a set number of hours or tasks per month throughout the project period) can be hired on service contracts, as long as this is clear from the budget narrative and is in accordance with the grantee’s organisational practices.

Note: if the contractor is paid in cash, the proof of payment may be a combined act of completion and cash receipt in a single document, signed by the contractor and the Grantee.

ELIGIBLE COSTS CONTINUED



g. Event Costs

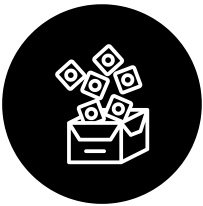
For in-person project events, you should submit the following documents:

- Signed attendance lists

For online project events, you should submit the following documents:

- Some evidence that the event happened (e.g. event advertisement/social media post, screenshots, digital participant lists)

Note: A participant list downloaded from an online meeting platform is only required in case you are covering the costs for the person to attend the online event



h. Ineligible Costs

The following are considered ineligible costs:

- Debts, debt service charges, debt write-offs
- Purchases of land or buildings
- Bribes or any other payments related to corrupt practices (1.)

The following are not eligible as direct costs but can be covered as part of indirect costs if they remain at a relatively low level:

- Penalties for late payment
- Interest payments

Exchange rate gains of over €200 must be declared no later than the final report.

In addition, any donor-specific ineligible costs will be listed in the Special Conditions of your Grant Agreement. Please read these carefully, even if you have already received a grant from ILGA-Europe, as these can vary significantly between calls.

(1) A corrupt practice is "the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party". Source: <http://siteresources.worldbank.org/PROJECTS/Resources/40940-1173795340221/RevisedPMNDFinaluserGuideline031607.pdf>

06. VISIBILITY



In order to be able to increase the re-granting budget, and for the purposes of building the capacity of Grantee organisations and movement building, IE strive to make information about grants made available to wider audiences. If possible, IE would appreciate being acknowledged on materials produced within the project. If this is not possible, for example due to security concerns, this should be discussed with IE and included in section 9 of the Grant Agreement (“Special Conditions”) before the start of the project.

If within the project you are producing any tangible outputs, such as videos or publications, please share them with narrative reporting. In some cases, you may be asked to provide proof of the product to substantiate the costs incurred.

In case you wish to mention ILGA-Europe on project materials, an official “Supported by ILGA-Europe” logo for Grantees to use is available from ILGA-Europe. In the case of publications, any use of the ILGA-Europe logo should also be followed by the mention:

“This [xxx] was made with the support of ILGA-Europe. The opinions expressed in the document do not necessarily reflect any official position of ILGA-Europe.”

07. PROCUREMENT

Procurement is the act of obtaining or buying goods and services.

Purchases made within the frames of the project should follow your own procurement procedures, but ILGA-Europe will not ask to see these procedures.

Regardless of the procurement policy used, we require that:

- All procurement documentation must be submitted together with the financial report and kept for 8 years after the end of the project.
- For purchases between €1000 and €2500, you need to provide a short, written explanation of the choice of a particular supplier, venue, provider etc.
- For purchases over €2500 EUR, a comparison of 3 quotes should be presented

If, at any time during the procurement process, a potential conflict of interests arises between the purchaser or budget holder and one of the candidates, you should disclose this issue to ILGA-Europe. Examples of conflicts of interest include:

- Contracting a partner or family member
- A company run by a Board member being contracted for project services



08. MODIFICATIONS TO THE PROJECT

The grantees should notify in written, at the earliest possibility, of any substantial changes which might affect directly the organisation and/or the implementation of the supported project, such as, but not limited to:

1. Modification of contact details (address, e-mail, bank requisites, etc)
2. Change of project staff
3. Force-majeure situations (social unrest, natural calamities, etc)
4. Security breaches (of physical spaces, property, or institutional memory)
5. Other contextual circumstances (lawsuit filed against the organisation, state authorities threatening to revoke registration or close down the organisation, etc.)

8.1 Budget modifications

Grantees may reallocate funds from one budget line heading to another under certain conditions. A reallocation may not result in an increase in the overall project budget, nor may a reallocation fundamentally change the content, objectives or outcomes of the project.

- If the reallocation is worth less than 10% of the total project budget, you may reallocate without prior approval from IE but inform IE about the change by email, preferably as it happens.
- If the reallocation is worth more than 10% of the total project budget, you must seek prior written (email) approval from IE before the expenditure is incurred.
- To create new budget lines you should seek prior approval from IE. These costs must be eligible costs (please see section 4) and fit within the scope of the project.
- If the reallocation is worth >20% of the total project budget, an extended approval process will be required within IE, therefore it may take up to two weeks to obtain the permission to reallocate.

*** If you are not sure about a budget reallocation, please ask the IE Programme Officer before the cost is incurred.*

MODIFICATIONS TO THE PROJECT CONTINUED

7.2 Extension

In certain cases, a no-cost extension may be granted upon the request by a Grantee. This will depend on ILGA-Europe's accountability towards its own funders, for example when ILGA-Europe needs to report on this project to the original funder. A request for extension must be in written format (email) and must include a detailed explanation for the extension, a revised timeline and budget (if applicable) for implementation of project activities. Reasonable requests will in principle be granted, provided that this is possible within contracts that ILGA-Europe may have with its own donors.

IE encourage grantees to communicate openly about any delays or other issues as soon as possible in order for solutions to be identified collectively.

In the case of an extension, an amendment to the Grant Agreement will need to be signed by both parties.

Please note that IE are never able to increase the total budget of a project that has already been approved.

7.3 Termination

In the event of the failure of the Grantee to fulfil any of its obligations under this agreement, IE has the right to temporarily suspend the project, pending review. No further disbursements will be made during this time. A timeline and list of deliverables will be established jointly by IE and the Grantee.

In the event of a serious breach of contract, or the Grantee's continued failure to address the issues that led to the project's suspension and/or to adhere to the established timeline, IE reserves the right unilaterally terminate the Grant Agreement. Additionally, the agreement may be terminated by written agreement of both parties.

ILGA-Europe reserves the right to close the project unilaterally one year after project completion in case either the final project report or some part of it is not submitted in accordance with deadlines stipulated in this Agreement and reporting guidelines provided. In case of unilateral closure of the project the Grantee are not eligible for final payment and might be requested to return already received funds. Complete narrative and financial reporting is still required in the case of project suspension for all eligible expenditure already incurred.