[ORGANIZATION NAME]

Country Office

Financial Management Manual

Policies, procedures and controls based on the Best Practices of Financial Management in NGOs self-assessment survey

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Contents

About This Manual
Survey Findings That Shaped This Manual
1. Governance and Oversight
2. Budgeting and Financial Planning
3. Internal Controls
4. Accounting and Financial Reporting
5. Donor Fund Management and Compliance
6. Procurement and Asset Management
7. Audit, Risk Management and Fraud Prevention
8. Financial Sustainability and Resource Mobilization
9. Systems, Technology and Capacity
10. HQ Administration Fee and Shared Costs
11. Policy Review and Maintenance
Appendix A: Authorization Matrix
Appendix B: Month-End Close and Control Checklist
Appendix C: Financial and Compliance Calendar
Appendix D: Draft Reserve Fund Policy
Appendix E: Improvement Action Plan from the Survey
Appendix F: Forms and Templates

Headings in this document use Word's built-in heading styles, so the Navigation Pane (View, Navigation Pane) can also be used to move between sections.

About This Manual

Purpose

This manual sets out the finance and accounting policies, procedures, controls and reporting standards of the country office. It is written to be used every day by finance staff, program managers, the Country Director and the Board/Governing Body. Its content is built directly on the results of the Best Practices of Financial Management in NGOs self-assessment completed on 28 September 2026, so that it protects what already works well and closes the gaps the assessment identified.

Authority and order of precedence

This manual supplements, and does not replace, the organization's HQ finance policies. Where two requirements conflict, the stricter one applies, in the following order:

- **1. Applicable national law and regulation** (tax, labor, NGO/association registration and reporting).
- **2. Donor agreements and donor rules** for the specific grant.
- **3. HQ finance policies** and the HQ delegation of authority.
- **4. This manual.**

How to use this manual

- Values shown in **square brackets**, for example **[USD 500]**, are illustrative defaults. Confirm each one against HQ policy and the strictest donor agreement before the manual is approved.
- Each chapter opens with a **Survey insight** box showing what the assessment found for that area, then states the policy, the procedure, responsibilities and the records to keep.
- Chapter 10 (HQ Administration Fee and Shared Costs) and the new or strengthened items flagged as **NEW** respond to specific gaps found in the survey.
- Forms and templates referred to in the text are listed in Appendix F and should be kept in the finance shared folder under the same names.

Roles and abbreviations

Abbreviation	Role	Main financial responsibility
Board	Board / Governing Body	Approves budget and major policies; reviews financial reports at least quarterly; oversees audit and risk.
CD	Country Director	Overall accountability for financial management; approves within delegated authority.
FM	Finance Manager	Owns this manual; leads the finance unit; reviews and signs financial reports and reconciliations.
FO	Finance Officer(s)	Records transactions, prepares payments, reconciliations and draft reports.
PM	Program Manager / Budget Holder	Prepares and manages program budgets; certifies that costs are valid and program-related.
HQFA	HQ Finance Advisor	Quality-checks budgets, financial reports and audit reports before submission; advises on HQ policy.
HR	Human Resources	Maintains staff records, payroll changes and training records.
PC	Procurement Committee	Evaluates bids above the committee threshold and records decisions.

Survey Findings That Shaped This Manual

The self-assessment was completed by the Finance Manager/Officer of the country office. It covers 56 statements in nine areas (Sections B to J), an overall assessment (Section K) and open-ended comments (Section L).

Organization profile

Item	Response
Type of organization	International NGO (country office)
Main areas of work	Agriculture/Livelihoods; Human rights/Governance; Humanitarian/Relief
Years in operation	More than 10
Annual budget	More than USD 1,000,000
Number of staff	11–30
Funding sources	Bilateral/multilateral donors; international NGOs; private foundations; government; individual donations
Dedicated finance unit	Yes
Respondent	Finance Manager/Officer, more than 10 years of experience

Results by area

Scores use the survey scale (1 = strongly disagree to 5 = strongly agree). The overall average across all 56 statements is **4.66 out of 5**, and 47 of the 56 statements were scored the maximum of 5.

Section	Area	Items	Average	Items below 5	Chapter
B	Governance and oversight	7	4.86	B1 (4)	1
C	Budgeting and financial planning	7	4.43	C7 (1)	2
D	Internal controls	8	4.88	D7 (4)	3
E	Accounting and financial reporting	6	4.83	E5 (4)	4
F	Donor fund management and compliance	7	5.00	None	5
G	Procurement and asset management	5	5.00	None	6
H	Audit, risk and fraud prevention	6	4.17	H2 (4), H3 (1)	7
I	Sustainability and resource mobilization	5	4.20	I3 (1)	8
J	Systems, technology and capacity	5	4.40	J4 (3), J5 (4)	9

Overall assessment (Section K)

- **Overall rating:** Good.
- **Strongest areas:** internal controls, donor compliance and procurement.
- **Main challenge:** complex donor requirements.

- **Policy review frequency:** as needed (no fixed cycle).
- **Last 3 years:** no qualified audit opinion, disallowed donor funds, fraud, serious cash-flow shortage or late donor reporting.

Open-ended comments (Section L)

- **What works best:** an HQ Finance Advisor quality-checks every budget, financial report and audit report, which supports both organizational and donor compliance. This practice is built into Chapters 4, 5 and 7.
- **Biggest obstacle and support needed:** the organization charges an administration fee on country-level project costs. The fee is managed at HQ to cover HQ operating costs. The country office must reflect it in project budgets but has no mechanism to monitor the expense, and has no control over the portion of costs incurred at HQ, even though policies, tools and accounting software are fully applied. Chapter 10 addresses this directly.

Priority improvements

Nine items scored below 5, and the open-ended comments raise one further gap. They are ranked below by risk to the organization. The action plan in Appendix E assigns owners and timing.

Priority	Gap found	Where addressed
High	No reserve fund policy (C7 scored 1). Note that I5 scored 5, so the organization believes it can run three months without funding, but the basis is not written down.	Section 2.7; Appendix D
High	No internal audit function or equivalent independent review (H3 scored 1).	Section 7.3
High	No mechanism to monitor the HQ administration fee charged to country projects (Section L).	Chapter 10
Medium	Finance staff training and professional development is only neutral (J4 scored 3).	Section 9.4
Medium	Policy review is "as needed", not scheduled (Section K).	Chapter 11
Maintain	Items scored 4 that can reach 5: quarterly board review of finance reports (B1), internal control and anti-fraud training (D7), reports understandable to non-finance managers (E5), follow-up of audit recommendations (H2), finance-program coordination (J5).	1.3, 3.8, 4.5, 7.2, 9.5
Low	No income-generating or social enterprise activity (I3 scored 1). For an international NGO country office this may be a deliberate choice.	Section 8.5

1. Governance and Oversight

> **Survey insight**
> Governance scored 4.86. Roles, budget approval, board expertise, conflict of interest, transparency and the whistleblower mechanism all scored 5. Quarterly board review of financial reports scored 4, so this chapter fixes the review calendar and the content of the review pack.

1.1 Policy statements

- The Board reviews financial reports **at least quarterly** and records the review in its minutes.
- The Board approves the annual budget and every major financial policy, including this manual and any change to it.
- At least one Board member holds a recognized finance or accounting qualification or equivalent experience.
- Roles of the Board and management in financial matters are set out in writing (section 1.2) and reviewed annually.
- Financial information is disclosed transparently to donors, beneficiaries and the public in the forms described in section 1.5.

1.2 Roles in financial governance

Role	Responsibilities
Board	Approve annual budget, reserve policy, delegation of authority and major policies. Review quarterly finance pack; receive external audit report and management letter. Receive reports of suspected fraud and whistleblower cases.
Country Director	Accountable to the Board for sound financial management. Approve expenditure and contracts within delegated limits. Sign quarterly finance pack and donor reports.
Finance Manager	Maintain this manual, the accounting system and the control environment. Prepare the quarterly finance pack and present it to the Board.
HQ Finance Advisor	Quality-check budgets, financial reports and audit reports before submission. Confirm consistency with HQ policy and donor requirements.
Program Managers	Own program budgets and certify that program costs are valid. Take part in budget preparation and variance review.

1.3 Quarterly finance pack for the Board

The FM prepares the pack within **[20] days** of quarter-end. The HQFA reviews it, and the CD signs it before it goes to the Board. The pack contains:

- Income and expenditure against budget for the quarter and year to date, with explanations of variances above the threshold in section 2.4.
- Cash and bank position and the 12-month cash-flow forecast.
- Status of each donor grant: budget, spent, committed, remaining, and burn rate.
- Balances of restricted and unrestricted funds and the reserve position (section 2.7).
- HQ administration fee charged compared with budget (Chapter 10).
- Status of audit recommendations (section 7.2) and any open risks or incidents.

- Compliance calendar status: donor reports and statutory filings due and submitted.

1.4 Conflict of interest

- Every Board member, manager and finance or procurement staff member signs a **conflict-of-interest declaration** on appointment and again every year.
- A declared conflict is recorded in the conflict register. The person takes no part in the related decision, approval, evaluation or payment, and the minutes record the recusal.
- Undeclared conflicts found later are treated as a breach of the Code of Conduct and reported under Chapter 7.

1.5 Transparency and disclosure

Audience	What is provided	When
Donors	Financial reports in donor format; audit reports as required by the agreement.	Per agreement
Board	Quarterly finance pack; annual audited financial statements.	Quarterly / annually
Beneficiaries and communities	Plain-language summary of what the program budget is spent on, where required or appropriate.	Annually or per program
Public	Annual report with summary of income and expenditure and the audited statements or a summary of them.	Annually after audit

1.6 Whistleblower and complaints mechanism

- Any staff member, partner, beneficiary or member of the public may report suspected financial misconduct through **[hotline / dedicated email / HQ integrity line]** or directly to the Board Chair.
- Reports may be anonymous. The identity of the reporter is kept confidential and retaliation is prohibited and treated as misconduct.
- Each report is acknowledged within **[3] working days** and handled under the fraud response procedure in section 7.6.
- The mechanism is publicized at induction, in staff notice areas and in partner agreements. The FM keeps a log of reports received and their outcome, which is reviewed by the Board.

2. Budgeting and Financial Planning

> **Survey insight**
> Budgeting scored 4.43. Six of the seven items scored 5. The reserve fund policy (C7) scored 1 and is the largest gap in this area. This chapter adds a reserve policy (section 2.7) and strengthens the indirect cost allocation rules (section 2.6), which link to Chapter 10.

2.1 Annual budget cycle

Step	Activity	Timing	Responsible
1	Confirm strategic priorities and funding outlook for the coming year.	[10–12] weeks before year start	CD, PMs
2	Program teams prepare activity plans and cost estimates using the budget template.	[8–10] weeks before	PMs with FO support
3	Finance consolidates program budgets with support costs, HQ administration fee and reserve contribution.	[6–8] weeks before	FM
4	HQFA reviews for policy, donor-rule and indirect-cost compliance.	[4–6] weeks before	HQFA
5	Board reviews and approves the annual budget.	[2–4] weeks before	Board, CD
6	Approved budget loaded into the accounting system, budget holders notified.	Before year start	FM

2.2 Program staff participation

Each PM prepares the budget for his or her program on the standard template and signs it as confirmation that costs are realistic and consistent with the work plan. Finance advises on unit costs, salary scales, donor eligibility and indirect cost rules but does not prepare program budgets alone.

2.3 Cash-flow forecasting

- The FM maintains a **rolling 12-month cash-flow forecast**, updated monthly, by donor and by currency where relevant.
- The forecast shows expected receipts (by grant tranche), committed payments, payroll, HQ charges and the reserve balance.
- A projected shortfall in any of the next **[3] months** is reported to the CD and HQ immediately so that fund requests or bridging action can be taken.

2.4 Budget-versus-actual analysis

- The FM prepares a budget-versus-actual report **every month** as part of the close (Appendix B) and reviews it with each PM.
- Any line varying by more than **[10%] and [USD 1,000]** from the pro-rata budget must have a written explanation and, where needed, a corrective action.
- Burn rate is compared with the grant time elapsed. Underspending and overspending against donor budget lines are both flagged early, because either can lead to disallowed costs or returned funds.

2.5 Budget revisions

Trigger	Required approval	Notes
Reallocation within a budget line group, within donor flexibility	PM and FM; CD if above [USD 5,000]	Record in the revision log.
Reallocation beyond donor flexibility, change of scope, or no-cost extension	CD and **prior written donor approval**	Do not incur the cost before approval.
Change to the annual organizational budget	Board on recommendation of CD	HQFA review beforehand.

Every revision uses the Budget Revision Request form, receives a version number, and is filed with the approval evidence. The accounting system budget is updated only after approval.

2.6 Indirect and overhead cost allocation

- Indirect costs are allocated using a **written allocation method** (for example a fixed percentage of eligible direct costs, or a documented staff-time or headcount basis) that is applied to all projects in the same way each year.
- The method is approved by the Board and HQ, is kept within each donor's rules on indirect cost rates and caps, and is disclosed in donor budgets where required.
- Direct costs are never also charged as indirect costs. Any change to the method takes effect from the start of a budget year and is documented.
- The HQ administration fee is treated as a distinct budget line and managed under Chapter 10.

2.7 Reserve fund policy (NEW)

The survey found no written reserve policy, although the organization reported that it could continue core operations for at least three months if funding were delayed. The policy below turns that capacity into a documented, approved standard. The full draft policy is in Appendix D.

- **Target:** unrestricted reserve equal to **[3] months** of core operating costs, with a minimum floor of **[1] month**.
- **Sources:** unrestricted income, permitted indirect cost recovery and operating surpluses. Restricted donor funds are never counted as reserve.
- **Use:** bridging delayed funding or emergencies, approved by the CD and the Board Chair (and HQ where HQ holds the balance).
- **Monitoring:** reserve level in months of cover is reported in every quarterly pack. The FM must document where the reserve is held or which HQ facility provides the three-month continuity.

3. Internal Controls

> **Survey insight**
> Internal controls scored 4.88 and were named one of the three strongest areas. A documented manual, segregation of duties, dual authorization, bank reconciliation, petty cash and payroll controls all scored 5. Staff training on internal control and anti-fraud (D7) scored 4, so section 3.8 makes training a recorded, annual requirement.

3.1 Control principles

- No single person can initiate, approve, pay and record the same transaction.
- Every payment is supported by complete documents and authorized before it is made.
- Controls are documented, applied consistently and tested regularly (section 7.3).
- Where a control cannot be applied because of a small team or absence, a compensating control is used and recorded.

3.2 Segregation of duties

Process	Initiates	Reviews / approves	Pays or releases	Records	Reconciles
Purchases and expenses	Requester / PM	Budget holder, FM	Signatories	FO	FM
Bank payments	FO	FM	CD + second signatory	FO	Independent FO / FM
Payroll	HR (changes)	FM, CD	Signatories	FO	FM
Cash receipts	Cashier / FO	FM	Not applicable	FO	FM
Petty cash	Custodian	FM	Custodian	FO	FM (surprise counts)
Fixed assets	PM / Admin	FM	Not applicable	FO	Independent staff

3.3 Payment authorization

- Payments above **[USD 500]** need approval by the budget holder and the FM. Payments above **[USD 5,000]** also need the CD. The full matrix is in Appendix A.
- Bank transfers and cheques above **[USD 1,000]** require **two authorized signatories**. Blank cheques are never signed. Online banking uses a maker-checker setup with separate user credentials for each role.
- Signatories are listed in the bank mandate and the delegation of authority, updated within **[5] working days** of any change in staff.
- The person who approves a payment does not prepare or record it. Requests are never split to stay under a threshold.

3.4 Bank management and reconciliation

- Every bank and cash account is reconciled **monthly**, within **[5] working days** of month-end, by an officer who does not handle receipts or payments on that account.
- The FM reviews and signs each reconciliation and the supporting bank statement. Reconciling items older than **[60] days** are investigated and cleared or escalated to the CD.
- Unused accounts are closed. New accounts are opened only with CD and HQ approval.

3.5 Petty cash

Control	Standard
Imprest limit	[USD 300], held in a locked safe by a single named custodian
Single payment limit	[USD 50]; larger amounts go through the normal payment process
Support	Numbered petty cash voucher, original receipt and approval signature for every payment
Replenishment	On presentation of vouchers, reviewed by FM; imprest balance always equals cash plus vouchers
Counts	Custodian counts weekly; FM or another officer makes a **surprise count at least monthly** and records it

3.6 Supporting documentation

No payment is processed without complete documentation. The minimum standard is:

Transaction	Minimum support
Purchase of goods or services	Approved requisition, quotations or tender file where required, purchase order or contract, delivery or service confirmation, supplier invoice
Travel and per diem	Approved travel request, itinerary, tickets or receipts, per diem calculation, trip report
Staff advance or cash advance	Approved advance request; settlement with receipts within **[10] working days**; unsettled advances block new advances
Payroll	Approved staff records and changes, payroll register, tax and social contribution calculations, bank transfer list
Grants and sub-grants	Signed agreement, approved budget, payment request, financial report from partner

Records are kept for the **longer of the donor requirement and the legal requirement**, and in any case no less than **[7] years** after final closure of the related grant.

3.7 Payroll

- HR supplies approved changes (new hires, leavers, salary and allowance changes) with supporting authorization. Finance does not change staff records on its own.
- An FO prepares the payroll. The FM reviews it against the prior month and HR records, and the CD approves it before payment.
- Payment is made by bank transfer to staff accounts. Each quarter HR and Finance check the payroll list against the staff list to identify any unsupported names.
- Payroll tax, social security and other statutory contributions are calculated and paid by their legal due dates (section 5.7).

3.8 Training on internal control and anti-fraud

- All new staff receive an induction on the finance controls that affect them, the Code of Conduct and the anti-fraud policy in their first **[30] days**.
- All staff attend a refresher on internal control, fraud awareness and the reporting channels **every year**. Finance and procurement staff attend a longer session with practical case studies.
- HR keeps attendance records and the FM reports completion rates to the Board in the quarterly pack. The target is **100%** completion.

4. Accounting and Financial Reporting

> **Survey insight**
> Accounting and reporting scored 4.83. Complete records, an applicable framework, separate restricted and unrestricted funds, monthly management accounts within 15 days and annual statements all scored 5. Reports being understandable to non-finance managers (E5) scored 4, so section 4.5 introduces a standard one-page dashboard.

4.1 Accounting framework and basis

- Financial statements are prepared under the framework required by the organization's registration, HQ group policy and auditors (for example IFRS, IFRS for SMEs, IPSAS or national standards). The chosen framework and its policies are set out in the accounting policy note that is reviewed each year with the auditor.
- The accounting system is the single official record. Spreadsheet or donor-format reports are always reconciled to it.
- Transactions are recorded in the period in which they occur. Foreign currency transactions are translated at the rate set in the exchange rate policy: the rate used and its source are documented, and gains or losses are separately recorded and treated under donor rules.

4.2 Chart of accounts and coding

Every transaction carries a full code so that spending can be reported by donor, project and budget line without manual re-analysis.

Segment	Content	Purpose
Fund / donor	Donor or funding source code, restricted or unrestricted	Fund accounting and donor reports
Project / grant	Grant agreement or project code	Project-level reporting
Budget line	Donor budget category and sub-line	Budget-versus-actual and eligibility checks
Account	Natural account (salaries, travel, supplies, etc.)	Financial statements
Location / activity	Program location, cost center or activity (optional)	Management analysis

4.3 Fund accounting: restricted and unrestricted funds

- Grant income is recorded as restricted and released to income as the related costs are incurred, in line with the applicable framework and the agreement.
- Unrestricted income and expenditure are kept in separate fund codes. Restricted funds are not used to cover the costs of another donor or unrestricted costs unless the agreement explicitly allows it.
- Internal loans between funds are permitted only in writing, with CD approval, a repayment date and no impact on donor reporting. The FM reports open inter-fund balances monthly.
- Unspent balances, interest and exchange gains are handled as the agreement requires and reported in the donor report.

4.4 Month-end close

Management accounts are produced **within 15 days of month-end**. The steps are in Appendix B. In summary:

Day	Key activity
D+1 to D+3	Cut-off; all invoices, payroll and advances posted; accruals and prepayments booked
D+3 to D+5	Bank, petty cash and HQ inter-office accounts reconciled (including the HQ administration fee)
D+5 to D+8	Fixed assets, advances, payables and receivables reviewed; foreign exchange revaluation
D+8 to D+10	Trial balance reviewed; donor fund ledgers and budget-versus-actual prepared
D+10 to D+13	Draft management pack sent to PMs for comment
D+13 to D+15	FM and CD sign off; pack distributed; period locked in the system

4.5 Management reports for non-finance managers

- Each monthly pack starts with a **one-page dashboard** per program: budget, spent, committed, balance, burn rate against time elapsed, and a red/amber/green status.
- Variances are explained in a short plain-language comment, not only in figures. Technical terms are avoided or explained.
- The FM holds a monthly meeting with PMs to walk through the dashboard (section 9.5) and records agreed actions.
- Once a year the FM asks PMs and the CD whether the reports are clear and useful, and improves the format accordingly.

4.6 Annual financial statements

- Annual financial statements are prepared by the FM, reviewed by the HQFA, audited by an independent auditor (section 7.1) and approved by the Board.
- The audited statements are available to donors, regulators and the public as described in section 1.5.
- Target: draft statements to the auditor within **[45] days** of year-end; audited statements approved within **[120] days**.

5. Donor Fund Management and Compliance

> **Survey insight**
> Donor fund management scored a perfect 5.00 and was named a top-three strength, yet "complex donor requirements" was chosen as the main challenge. The chapter therefore keeps the existing controls and adds tools to manage the complexity: a grant onboarding checklist and a single Donor Requirements Register (section 5.1 and 5.3).

5.1 Grant onboarding

Within **[10] working days** of signing a grant agreement, the FM completes the onboarding checklist and files it in the grant folder:

- Read the agreement, general conditions and any donor financial guide. Record the key terms in the **Donor Requirements Register** (section 5.3).
- Complete the cost eligibility matrix (section 5.3) and share it with the PM and procurement staff.
- Load the approved budget into the accounting system with donor, project and budget-line codes.
- Build the reporting and audit calendar and add it to the compliance calendar (Appendix C).
- Confirm bank arrangements, currency, advance and liquidation rules, and the indirect cost and HQ administration fee terms.
- Hold a start-up meeting with the PM to explain the rules that matter most (eligibility, procurement thresholds, approval requirements).

5.2 Tracking expenditure by donor, project and budget line

- Every transaction is coded to donor, project and budget line at the time of entry (section 4.2). Codes cannot be changed after the period is closed without FM approval and an audit trail.
- Each grant has its own ledger and a monthly budget-versus-actual report by budget line, shared with the PM.
- Commitments (signed contracts and purchase orders) are tracked so that available balances are known before new commitments are made.

5.3 Managing complex donor requirements

The **Donor Requirements Register** is a single matrix, kept by the FM, that summarizes for each donor: reporting format and frequency, currency and exchange rate rules, eligible and ineligible costs, procurement thresholds, budget flexibility and prior approval rules, indirect cost rate, audit requirements, record retention, visibility and branding, and fraud reporting deadlines. It is reviewed at each grant amendment and at least once a year.

The **cost eligibility matrix** classifies each cost type for each grant:

Cost type	Eligible	Needs prior approval	Not eligible	Source clause
Staff salaries and benefits	[ ]	[ ]	[ ]	[ ]
Travel and per diem	[ ]	[ ]	[ ]	[ ]
Equipment and vehicles	[ ]	[ ]	[ ]	[ ]
Sub-grants and partner costs	[ ]	[ ]	[ ]	[ ]

Cost type	Eligible	Needs prior approval	Not eligible	Source clause
Audit, bank charges, exchange losses	[ ]	[ ]	[ ]	[ ]
Indirect / HQ administration fee	[ ]	[ ]	[ ]	[ ]

5.4 Compliance with approved budgets and prior approval

- Spending stays within the approved donor budget. Where an agreement sets a flexibility limit, staff apply it; where it is silent, the FM seeks **written approval** before reallocating more than **[10%]** of any budget line or of the total.
- The PM cannot commit funds to an activity, item or cost that is outside the approved budget without the approval steps in section 2.5.
- Donor approvals are filed with the grant folder and referenced in the ledger narration.

5.5 Donor financial reporting and quality control

The existing HQ Finance Advisor quality check (identified in the survey as the practice that has worked best) is formalized as follows:

Step	Activity	Owner	Timing
1	Prepare the draft report from the accounting system and reconcile it to the ledger.	FO	Report due date minus [15] days
2	Review for eligibility, budget lines, supporting documents and narrative consistency.	FM, PM	Due date minus [10] days
3	**HQ Finance Advisor quality check** using the report checklist; comments cleared.	HQFA	Due date minus [7] days
4	Sign-off by the CD.	CD	Due date minus [4] days
5	Submit to donor and file the submission proof.	FM	Due date minus [3] days

5.6 Donor audits and monitoring visits

- The FM keeps an **audit-ready file** for each grant: agreement, approved budget, revisions and approvals, ledgers, bank statements, supporting documents, procurement files and reports.
- Audit requests are logged with a due date, owner and status. Auditors and donor monitors are given access to records in a way that is controlled and recorded.
- Findings are treated in the same way as audit recommendations (section 7.2).

5.7 Compliance with laws and regulations

The FM maintains a **compliance calendar** (Appendix C) covering, for the country of operation, the registrations, filings and payments required of the organization. Typical categories are listed below and each should be completed with the specific requirement, authority and due date for the country office.

Area	Typical obligations to record in the calendar
Tax	Withholding of taxes on payments to staff and suppliers, employer contributions, tax on benefits, any exemptions and the evidence needed to claim them, filing and payment dates

Area	Typical obligations to record in the calendar
Labor and social security	Employment contracts, social security or pension contributions, leave, severance and statutory benefits
NGO / association	Registration renewal, annual activity and financial reports to the supervising authority, agreements with government where required
Other	Customs and import duties for donor goods, insurance, banking regulations and foreign currency rules

5.8 Sub-grantees and partners

Stage	Requirement
Before award	Financial capacity assessment covering governance, controls, staff, systems and audit history; risk rating (low / medium / high); HQFA review for high-risk partners
Agreement	Written agreement with approved budget, eligibility rules, procurement and reporting requirements, audit and access rights, fraud reporting duty
Payments	Tranches linked to approved cash-flow requests and liquidation of previous advances; higher risk means smaller and more frequent tranches
Monitoring	Financial reports each period, review of supporting documents, **on-site spot checks at least [twice] a year for high-risk partners**, follow-up of findings
Close-out	Final report, reconciliation of advances, asset transfer or disposal, retention of records

6. Procurement and Asset Management

> **Survey insight**
> Procurement and asset management scored a perfect 5.00 on all five items and procurement was named a top-three strength. This chapter records the current practice in a form that can be tested and updated as donor thresholds change.

6.1 Principles

- Value for money: best combination of quality, cost and timeliness, not simply the lowest price.
- Fair and open competition, with equal information for all bidders.
- Transparency and full documentation of each decision.
- No conflict of interest. Anyone with a personal, family or financial link to a bidder declares it and is excluded.
- Compliance with the strictest applicable donor procurement rules, which may set lower thresholds than this manual.

6.2 Procurement thresholds

Value (USD)	Method	Approval
Up to [500]	Direct purchase with price check	Budget holder
[501] to [2,500]	Minimum **3 written quotations**	Budget holder and FM
[2,501] to [15,000]	Minimum 3 written quotations evaluated by the **Procurement Committee**	Committee, then CD
Above [15,000]	Formal tender (open or restricted) with published criteria and sealed bids	Committee, CD and HQ per delegation
Any value: sole source or emergency	Written justification, price reasonableness check	CD, and donor approval where required

6.3 Procurement process

Step	Activity	Responsible
1	Purchase requisition, approved budget line confirmed	Requester, budget holder
2	Sourcing: request quotations or issue tender, record all responses	Procurement / Admin
3	Evaluation against criteria set beforehand; scoring sheet signed by evaluators	PC or budget holder + FM
4	Award, purchase order or contract; vendor due diligence for significant contracts	CD or delegate
5	Receipt and inspection; goods received note or service acceptance	Requester, storekeeper
6	Payment only after a **three-way match** (order, receipt, invoice)	FO, FM

6.4 Verification before payment

Finance does not pay an invoice until the goods or services have been received and confirmed against the order and quality requirements. Partial deliveries are paid pro rata, discrepancies are

resolved with the supplier before payment, and advance payments need CD approval and, where appropriate, a bank guarantee.

6.5 Fixed asset register

- Items with a cost of at least **[USD 500]** (and all IT and vehicles regardless of cost) are recorded in the register with description, serial number, purchase date, cost, funding source, location, custodian and condition.
- Each asset is tagged with a unique identification number. The register is updated when an asset is received, moved or disposed of.
- A **physical verification** is done at least once a year by staff who are independent of the custodian. Differences are investigated and reported to the CD, and losses follow the fraud procedure if relevant.
- Ownership of donor-funded assets follows the donor agreement and is recorded in the register.

6.6 Asset disposal

- Disposal (sale, donation, transfer, write-off) is proposed in writing with the reason and estimated value and approved by the CD (or the Board above **[USD 10,000]**), and by the donor where required.
- Sales are made through a competitive or documented fair-price process, and staff or their relatives are not eligible buyers unless the process is fully open and the CD approves.
- The register, ledger and insurance records are updated, and the disposal file is kept with the audit-ready records.

7. Audit, Risk Management and Fraud Prevention

> **Survey insight**
> This area scored 4.17, the lowest of the nine sections. Annual external audit, risk register, anti-fraud policy and fraud reporting all scored 5, and follow-up of audit recommendations scored 4. The organization has **no internal audit function or equivalent independent review (H3 = 1)**. This chapter adds one in section 7.3.

7.1 External audit

- The financial statements are audited **every year** by an independent, qualified audit firm appointed by the Board (or as required by HQ), following a documented selection process.
- The auditor may not provide services that would impair independence. The Board considers rotating the audit firm or partner in line with HQ and donor policy.
- The FM prepares the audit schedule of information requests, and the CD and the HQFA hold a closing meeting with the auditor. The audit report and management letter go to the Board and to donors as required.

7.2 Follow-up of audit findings

- Every audit and monitoring recommendation goes into an **audit recommendation tracker**, with owner, action, due date and status.
- The FM reports the tracker to the Board each quarter. Recommendations are closed only when the FM has verified that the action has been completed and evidence filed.
- Repeat findings are escalated to the CD and Board and considered in the next risk assessment.

7.3 Independent review mechanism (NEW)

The HQ Finance Advisor quality check is a strong preventive control over budgets and reports. It is a review of reports, however, and does not by itself test whether transactions and controls at the country office are working. An independent review function is therefore added.

Option	How it works	Considerations
A. HQ internal audit	HQ internal audit team visits the country office and tests controls and transactions	Preferred where HQ has such a function; agree frequency and scope in writing
B. Peer review	A finance manager from another country office reviews selected areas under a common checklist	Low cost; requires clear independence and confidentiality rules
C. Outsourced review	An external accounting firm (other than the statutory auditor) performs agreed procedures	Independent and flexible; budget needed, may be chargeable to some grants

- **Frequency:** at least **once a year**, covering high-risk areas selected from the risk register (for example cash, payroll, procurement above threshold, sub-grantees and HQ charges).
- **Reporting:** the report goes to the CD, the HQ and the Board (or its audit or finance committee) directly, without editing by the finance unit. Findings enter the tracker (section 7.2).
- **Interim measure:** until the mechanism is agreed, the FM performs and records a quarterly self-check of key controls against Appendix B and the internal control checklist, with the HQFA reviewing the results.

7.4 Financial risk assessment and risk register

- The FM and CD update the financial **risk register** at least once a year and after any major change (new donor, new location, system change, significant incident).
- Each risk is recorded with description, cause, likelihood, impact, existing controls, residual rating, owner and action.
- Typical financial risks: funding delays, currency movements, donor disallowance, fraud and collusion, partner weakness, HQ charge disputes, system failure, key staff turnover and non-compliance with law.
- The Board reviews the top risks each quarter.

7.5 Anti-fraud and anti-corruption policy

- The organization has **zero tolerance** for fraud, corruption, bribery and misuse of funds or assets by staff, partners, suppliers or others.
- The policy defines fraud, gives examples and states the duties of every staff member: to protect assets, follow controls, declare conflicts and report suspicions.
- All staff sign the policy at induction and each year. Partners and suppliers accept it in their agreements.
- Common **red flags** that staff and managers should watch for: missing or altered documents, unusual vendor relationships, split purchases, staff who never take leave or resist review, sudden lifestyle changes and pressure to bypass controls.

7.6 Fraud response

Step	Action	Timing
1	Report received through any channel and logged by the designated person (FM, CD or Board Chair, depending on who is implicated)	Same day
2	Preliminary assessment; secure records, cash, assets and system access	Within [2] working days
3	Notify the CD, HQ and the Board Chair, and **notify affected donors within the deadline in each agreement**	Immediately, per agreement
4	Investigation by an independent and competent person or team; the person concerned takes no part	As appointed
5	Decision on disciplinary, legal and recovery action; report to donors and Board	On completion
6	Lessons learned: improve controls, update risk register and this manual	Within [30] days of closure

8. Financial Sustainability and Resource Mobilization

> **Survey insight**
> Sustainability scored 4.20. A resource mobilization strategy, diversified funding, value-for-money monitoring and three-month continuity all scored 5. Income-generating or social enterprise activity (I3) scored 1. The reserve policy in section 2.7 supports the continuity claim.

8.1 Resource mobilization strategy

- The CD and FM maintain a written strategy that is aligned with the strategic plan, reviewed annually and approved by the Board.
- The strategy includes a **donor map** (bilateral, multilateral, INGO, foundation, government, individual), a pipeline of opportunities with amounts and probability, and a funding-gap analysis by year.
- The pipeline is reviewed each quarter, and the FM reports secured, probable and unfunded amounts in the Board pack.

8.2 Funding diversification

- The FM measures the share of income from each donor each quarter. If any one donor exceeds **[40%]** of income, the CD and Board consider a plan to reduce dependence.
- Current sources (bilateral/multilateral donors, INGOs, private foundations, government and individual donations) are recorded, with the end dates of each grant, so that a cluster of expiries is visible early.

8.3 Continuity of operations

- The FM calculates each quarter the **months of cover**: unrestricted cash and committed bridging sources divided by monthly core operating costs.
- The target is at least **[3] months**. The source of the cover (unrestricted balance, HQ facility or other) is documented, so that the survey answer is supported by evidence.
- A response plan for funding delay lists priority costs, expenditure that can be paused, and the decision maker for each action.

8.4 Cost-effectiveness and value for money

Program and finance staff review, at least once a year and at project closure, the four Es: **economy** (cost of inputs), **efficiency** (outputs per unit cost), **effectiveness** (outcomes achieved) and **equity** (who benefits). Simple indicators, such as cost per beneficiary, cost per training, or unit cost per output, are added to the management dashboard where meaningful.

8.5 Income-generating activities (optional)

An international NGO country office may reasonably not run income-generating activities, and the survey score of 1 does not by itself indicate a weakness. If the CD wants to assess the option, the Board first checks that the activity supports the mission, is allowed by the law and by the donors and HQ, and that its costs and income are accounted for separately. Any surplus is treated as unrestricted income.

9. Systems, Technology and Capacity

> **Survey insight**
> Systems and capacity scored 4.40. Accounting software, secure backup with role-based access and staff qualifications all scored 5. Regular training and professional development (J4) scored 3 and coordination between finance and program teams (J5) scored 4. Sections 9.4 and 9.5 address these.

9.1 Accounting software

- The accounting system is the single system of record for all transactions, budgets and donor ledgers.
- Periods are locked after close. Entries need a description, code and reference, and an audit trail cannot be turned off.
- System changes (new modules, chart of accounts, upgrades) are approved by the FM and tested in a copy of the system before use.

9.2 Access control and data backup

Control	Standard
User access	Access by role, approved by the FM and set up by the system administrator; no shared logins; changes recorded
Access review	FM reviews the user list against staff records **every quarter** and removes leavers and unneeded rights at once
Passwords and authentication	Strong passwords, periodic change and **multi-factor authentication** for accounting and online banking
Backup	Automatic **daily backup** with a copy stored off-site or in secure cloud; retention according to section 3.6
Restore test	Backup restore tested **at least twice a year** and results recorded
Continuity	Documented recovery steps; critical finance tasks can be performed by a second trained person

9.3 Staff qualifications and competence

- Each finance role has a job description with minimum qualifications and experience. The FM and HR review each person's skills against a **competency matrix** (accounting, donor rules, tax, procurement, systems, communication) once a year.
- Key-person risk is reduced by cross-training so that every critical task has a trained back-up.

9.4 Training and professional development (NEW)

Training was the lowest-scoring item in this section. The country office therefore adopts an annual, budgeted training plan.

- The FM prepares the **annual finance training plan** from the competency matrix and audit or donor findings. It is approved with the annual budget, and a **[minimum of 24 hours]** per finance staff member per year is targeted.
- Priority topics: donor rules and eligibility, new or amended agreements, tax and labor law updates, accounting software, fraud awareness, procurement, and report writing for non-finance readers.

- Where possible, training is included as a budget line in each grant. Support for professional certification and membership fees is considered in the annual plan.
- HR keeps training records. Staff who attend external training share what they learned in a short session for the rest of the team.

9.5 Finance and program coordination

- A **monthly finance-program meeting** reviews the dashboard, forecasts, procurement plans, upcoming reports and issues, and records actions.
- Each PM has a named finance contact. Program calendars (workshops, procurement, travel) are shared with Finance at least **[2] weeks** ahead so that funds and approvals are ready.
- New staff in program teams are introduced to the budget, approval and documentation rules at induction.

10. HQ Administration Fee and Shared Costs

Survey insight (Section L)
The organization charges an administration fee on project costs at country level. The fee is managed at HQ to cover HQ operating costs. The country office must include it in budgets, yet has no mechanism to monitor the related spending and no control over the part of expenses incurred at HQ.
This chapter cannot give the country office control over HQ spending. It provides **visibility, reconciliation and escalation**, so that the fee charged is traceable to the budget, the donor rules and the country ledger.

10.1 Principles

- **Transparency:** the country office knows the rate, the base, the amount charged and the period for every HQ charge.
- **Traceability:** each charge is recorded in the country ledger against the correct donor, project and budget line.
- **Consistency:** the fee is applied at the same rate and base for comparable projects and never exceeds what the donor allows.
- **No double charging:** costs covered by the fee are not also charged as direct costs to the same project, and vice versa.

10.2 Monitoring mechanism

Step	Control	Responsible	Timing
1	**Written allocation agreement** between HQ and the country office stating the rate or method, the eligible base, what the fee covers, the donors where it applies, and the cap allowed by each donor	CD, FM, HQFA	Once, reviewed annually
2	Budget: a separate **HQ administration line** in each project budget, calculated as rate times eligible base and checked against the donor cap	FM, PM	At budget preparation and each revision
3	HQ sends a **statement of fee charged** by project and donor for the period	HQFA / HQ Finance	Quarterly (or with each charge)
4	FM **reconciles** the HQ statement to the country ledger and to the approved budget using the reconciliation template (section 10.3); differences are queried in writing	FM	Within [10] working days of receipt
5	Actual fee charged is shown in budget-versus-actual reports, donor reports and the Board pack, with any over- or under-recovery explained	FM	Monthly / quarterly
6	**Escalation:** a variance of more than **[5%]** of the budgeted administration line, or any charge above the donor cap, goes to the CD and HQFA for resolution and is recorded	FM, CD	On identification
7	HQ gives an **annual summary** of the HQ cost pool and how the fee was determined; the CD presents it to the Board	HQ, CD	Annually before budget approval

10.3 HQ administration fee reconciliation template

Donor / project	Eligible base	Rate	Budgeted fee	Charged by HQ	Variance	Explanation / action
[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Total						

10.4 Other shared or HQ-incurred costs

The same steps apply to any other cost incurred at HQ or by another office for the benefit of the country office, such as global systems licences, shared services, HQ-procured goods or technical support. Each has a written basis of allocation and appears in the same reconciliation.

10.5 What the country office can and cannot control

Within the control of the country office	Outside its control, but visible and escalated
Correct budgeting of the fee in every proposal Coding and recording of charges in the ledger Reconciliation against budget and donor caps Reporting variances and keeping evidence for audits Requesting written explanations of unexplained charges	How HQ spends the fee it collects The overall HQ cost pool and how the rate is set Timing of HQ charges and statements Decisions to change the rate or method

Keeping this evidence in the audit-ready grant file protects the country office when auditors or donors ask why the fee was charged in a particular amount.

11. Policy Review and Maintenance

> **Survey insight**
> Financial policies are currently reviewed "as needed". The organization has not experienced an audit, fraud or reporting issue in three years, so the current approach works, but a fixed cycle ensures the manual continues to keep up with donor and legal changes.

11.1 Review cycle

- The manual is reviewed **once a year** by the FM, with input from the CD, PMs and the HQFA, before the annual budget is prepared. The Board approves changes.
- An **interim review** is triggered by: a new or amended donor agreement, a change in law or tax rules, a significant audit or monitoring finding, a fraud incident, a system change, a change in HQ policy or a major change in the size or structure of the organization.

11.2 Change control

Step	Action
1	Proposed change described in a change request with reason and impact
2	FM drafts; HQFA reviews consistency with HQ policy and donor requirements
3	CD approves operational changes; the Board approves changes to policy, thresholds or delegated authority
4	Version number, date and summary recorded in the document control table
5	Staff informed within [10] working days; training for significant changes; old version archived

Appendix A: Authorization Matrix

Illustrative limits. Confirm against the HQ delegation of authority and the strictest donor agreement before approval.

Amount per transaction (USD)	Approval before commitment or payment	Bank signatories
Up to [500]	Budget holder	FM (single approval; petty cash or transfer)
[501] to [5,000]	Budget holder + FM	Two signatories: FM + one other authorized signatory
[5,001] to [25,000]	Budget holder + FM + CD	Two signatories including the CD
Above [25,000]	Budget holder + FM + CD + HQ approval as per HQ policy	Two signatories including the CD; HQ approval on file
Contracts and agreements (any value)	CD signs; HQ or legal review above [USD 15,000]	Not applicable
Write-offs and losses	CD up to [USD 1,000]; Board above	Not applicable

Appendix B: Month-End Close and Control Checklist

#	Task	Owner	Done by	Sign-off
1	All invoices, advances, payroll and receipts posted; cut-off confirmed	FO	D+3	[ ]
2	Accruals and prepayments booked and supported	FO	D+3	[ ]
3	Bank reconciliations complete and independently prepared	FO	D+5	[ ]
4	Petty cash reconciled; surprise count recorded	FM	D+5	[ ]
5	HQ inter-office account and **HQ administration fee** reconciled (Chapter 10)	FM	D+5	[ ]
6	Staff advances and payables aged; unsettled advances chased	FO	D+7	[ ]
7	Payroll agreed to HR records; taxes and contributions calculated	FO / HR	D+7	[ ]
8	Fixed asset additions and disposals recorded	FO	D+8	[ ]
9	Foreign exchange revaluation and rate check	FO	D+8	[ ]
10	Trial balance reviewed; coding errors corrected	FM	D+9	[ ]
11	Donor fund ledgers and budget-versus-actual prepared; variances explained	FO / FM	D+10	[ ]
12	Management pack and dashboards sent to PMs; comments cleared	FM, PMs	D+13	[ ]
13	FM and CD sign-off; pack distributed; period locked	FM, CD	D+15	[ ]

Appendix C: Financial and Compliance Calendar

Frequency	Activity	Owner
Monthly	Close and management pack (D+15); bank and petty cash reconciliations; HQ statement reconciliation; cash-flow forecast update; payroll taxes and contributions per law; finance-program meeting	FM, FO
Quarterly	Board finance pack; donor financial reports (per agreement); audit tracker update; user access review; risk register review; reserve and funding concentration report; donor pipeline review; HQ fee statement and variance escalation	FM, CD
Semi-annual	Backup restore test; sub-grantee spot checks (high risk partners); training progress review	FM
Annual	Budget cycle; external audit; annual independent review (section 7.3); fixed asset verification; conflict-of-interest declarations; anti-fraud and internal control training; competency review and training plan; manual review; statutory filings and NGO reports; HQ cost pool summary; Donor Requirements Register review	FM, CD, Board
On event	New grant onboarding; budget revision; fraud report; donor amendment; change of signatory or user; asset disposal	FM, CD

Appendix D: Draft Reserve Fund Policy

> **Status**
> Draft for Board approval. Values in square brackets to be confirmed with HQ.

Clause	Policy
1. Purpose	To protect the continuity of core operations and staff obligations when funding is delayed, interrupted or reduced, and to meet urgent needs that no donor can fund.
2. Definition	The reserve is unrestricted funds set aside by Board decision. It excludes restricted grant funds and advances received from donors. Core operating costs are the recurring costs necessary to keep the office running (salaries, rent, utilities, audit, systems, essential travel).
3. Target	The equivalent of **[3] months** of core operating costs, with a minimum of **[1] month**. Target is recalculated each year with the budget.
4. Sources	Unrestricted income, permitted indirect cost recovery, operating surpluses and other unrestricted funds. Restricted funds are never used to build the reserve unless the donor agreement expressly allows it.
5. Where held	[Separate bank account in the country office / designated balance or facility held by HQ]. The FM documents the source of the three-month continuity capacity.
6. Use	Bridging delayed funds (to be repaid on receipt), unavoidable core costs during a funding gap, and emergencies. Use requires written approval of the CD and the Board Chair (and HQ where applicable), and a repayment or replenishment plan.
7. Replenishment	After any use, the reserve is restored to the target within **[12] months** from the next available unrestricted income.
8. Reporting	Months of cover and any movements reported in the quarterly Board pack.
9. Review	The Board reviews the policy and the target every year.

Appendix E: Improvement Action Plan from the Survey

#	Gap or opportunity	Action	Owner	Target	Ref.
1	No reserve fund policy (C7 = 1)	Board reviews and approves Appendix D; document the source of 3-month cover	CD, FM, Board	[90 days]	2.7, App. D
2	No independent review (H3 = 1)	Agree option A, B or C with HQ; schedule first review; interim quarterly self-check	CD, HQFA	[6 months]	7.3
3	HQ administration fee not monitored	Sign allocation agreement; start quarterly HQ statement and reconciliation; report to Board	FM, HQFA, CD	[Next quarter]	Ch. 10
4	Training only neutral (J4 = 3)	Approve annual training plan and budget; start training records	FM, HR	[60 days]	9.4
5	Policy review as needed	Adopt annual review cycle and change control	FM	[Immediately]	Ch. 11
6	Board review of finance reports (B1 = 4)	Fix Board calendar and standard quarterly pack	CD, Board Chair	[Next quarter]	1.3
7	Internal control and anti-fraud training (D7 = 4)	Annual training for all staff; induction; track completion	HR, FM	[Annual]	3.8
8	Reports for non-finance managers (E5 = 4)	Introduce one-page dashboard; annual feedback	FM	[60 days]	4.5
9	Audit recommendation follow-up (H2 = 4)	Start tracker and quarterly reporting	FM	[30 days]	7.2
10	Finance-program coordination (J5 = 4)	Monthly meeting and shared calendar	FM, PMs	[30 days]	9.5
11	Complex donor requirements (Section K)	Complete the Donor Requirements Register and eligibility matrix for all active grants	FM	[60 days]	5.3
12	No income-generating activity (I3 = 1) - low priority	Decide whether it fits mission, law and donor and HQ rules	CD, Board	[Next strategy review]	8.5

Appendix F: Forms and Templates

The following forms support this manual. They are kept in the finance shared folder and are version controlled.

Form / template	Used for	Chapter
Payment voucher and approval sheet	Authorizing and recording each payment	3
Petty cash voucher; petty cash count sheet	Petty cash control	3
Bank reconciliation	Monthly reconciliation and review	3
Cash advance request and settlement	Staff advances	3
Budget template; Budget Revision Request	Budget preparation and changes	2
Cash-flow forecast	Rolling 12-month forecast	2
Management dashboard	Monthly report for program managers	4
Grant onboarding checklist; Donor Requirements Register; cost eligibility matrix	Donor compliance	5
Donor report checklist	Quality control before submission	5
Sub-grantee capacity assessment; partner spot-check report	Partner management	5
Purchase requisition; RFQ; bid evaluation; purchase order; goods received note	Procurement	6
Fixed asset register; asset disposal form	Asset management	6
Audit recommendation tracker; risk register	Audit and risk	7
Conflict-of-interest declaration and register	Governance	1
Fraud incident report; whistleblower log	Fraud response	1, 7
HQ administration fee reconciliation	HQ charges	10
Training plan and record; user access review	Capacity and systems	9

Document control and approval

Item	Detail
Document	Financial Management Manual
Version	1.0 (draft for review)
Date prepared	28 September 2026
Prepared by	Cam Accounting & Tax Service Co., Ltd. (Tel: 012 753 257)
Reviewed by (HQ Finance Advisor)	[Name, signature, date]
Approved by (Country Director)	[Name, signature, date]
Approved by (Board Chair)	[Name, signature, date]
Effective date	[Date]
Next review date	[12 months after effective date]