

# Budget and financial reporting: Core support

**The purpose of this document is to support Sida's partners' work with budget and financial reporting. To promote aid effectiveness, Sida aligns itself to the partner organisation's own budget and follow-up systems. This document highlights which information Sida usually needs. The information is the basis for Sida's analysis of budgets and financial reports when providing core support.**

The statutory annual financial statements are the basis for financial follow-up. The financial statements should align with national requirements and normally consist of a balance sheet, cash flow statement, income statement, corresponding notes, and the director's report/statutory administration report. In addition to the statutory annual financial statements, Sida asks for an unaudited financial report with a comparison between the outcome and the agreed budget for the corresponding period.

## Checklist for budget

### General guidelines

- The period of the budget shall correspond to the reporting period.
  - The content and underlying data of the budget lines (e.g. critical assumptions, unit costs, salary levels) can be presented in a budget narrative.
  - Information shall be provided on which financiers are available and the specific funding they contribute within the context of previously'-secured funding and funding gaps Sida's funds are expected to fill. If there is a funding gap, an action plan to manage it must be presented and attached to the budget.
  - How any surpluses or deficits created will be managed is important additional information to be addressed in the budget.
  - The basis for calculations of the budget items should be clearly stated and traceable. Therefore, it is recommended that the budget is provided in a Microsoft Excel format to make it possible to see the calculations basis.
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Costs should be in line with the organisation's internal guidelines, such as for travels and per diem. Policy documents shall be communicated to Sida. Please note Sida's rules for travelling (only economy class is accepted for flights) and for accommodation (the accepted standard is a good middle-class hotel).

### **Complementary documents**

Policy documents relevant for the budget shall be shared and communicated with Sida (e.g. travel- and accommodation policy, payroll and remuneration policy, salary scales, per diem policy, principle for handling exchange gains and losses, relevant policy on handling forwarding of funds to third party implementing partners, including due-diligence process, and selection of partners and quality assurance procedures).

### **Forwarding of funds (if applicable)**

The total amount to be forwarded to third parties shall be clearly stated with the planned break down of funds to be distributed per party.

### **Staff costs**

Remuneration levels shall be in line with the organisation's approved payroll and remuneration policy, and assessed reasonable in relation to the local context. Sida has a restrictive policy regarding bonuses and other benefits. If applicable, they should be clearly stated, e.g. a thirteenth month's salary.

The date of the last pay review shall be specified and the new levels compared to the old ones displayed. Information should also be provided on the principle used for annual salary increases.

### **Financial reporting**

The financial reporting in core support consists of the regular annual financial statements, which are part of the annual report. The structure of the financial report is based on the requirements as laid out in either the national reporting standards or in the International Financial Reporting Standards (IFRS).

As Sida still needs to follow-up how the funds have been used in relation to the budget, there is an additional requirement in the agreement for an unaudited financial report per period. The unaudited financial report shall include all incomes and costs with a comparison to the agreed budget.

The unaudited financial report shall be signed by the responsible function stated in the agreement.

Please see further requirements under § Financial report in the agreement.

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## Have any questions?

If you need further help or guidance, please reach out to your Sida Programme Officer.

**Department:** Department for Operational support

**Unit:** Controlling and Investigation Unit