

FFAG

**FIELD FINANCIAL
AND ADMINISTRATIVE
GUIDELINES**

Version 1.2; August 2020

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Glossary

AA	Administrative Assistant
Accrual Principle	Accounting transactions are recorded in the period when the expenses occurred and not when the cash was spent
ACOC	Anti-Corruption Officer – Country Office
ACO HQ	Anti-Corruption Officer – HQ
AP	Accounts Payable
AR	Accounts Receivable
Cash Principle	Accounting transactions are recorded as per cash flow and not necessarily when the expenses occurred
CC	Church Cooperation
CD	Country Director
CO	Country Office of HEKS/EPER
DC	Development Cooperation
DO	Desk Officer
FO	Finance Officer
FX	Foreign Exchange
Group Reporting	Excel template for the quarterly CO reporting to the HQ
HA	Humanitarian Aid
HR	Human Resources
HoC	Head of Controlling
HoD	Head of Department
HoID	Head of International Department
HQ	Headquarter of HEKS/EPER in Switzerland
HQ Payment List	An HQ excel file, displaying the annual project budget and YTD expenses
IT	Information Technology
PAP	Project Approval Process of the HQ
PCM	Project Cycle Management
PO	Project Officer (CO staff position)
SDC	Swiss Agency for Development and Cooperation

Third Party	Any person or organisation external to HEKS/EPER
TOR	Terms of Reference
YTD	Year-to-date
YTG	Year-to-go

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0 Preamble

Objective: The objective of this manual is to establish and maintain an administrative management system which facilitates an effective and economic utilisation of resources available to HEKS/EPER. Additionally, it fosters an optimal internal control system, enabling the safeguarding of resources from misuse and ensuring an efficient and timely financial information system of good quality.

Applicability: This manual is applicable to all COs and HEKS/EPER direct implementation projects and mandates. It applies to all projects types – development cooperation, humanitarian aid, and church cooperation. It can also be used as recommended guidelines for partner organisations. The terminology of this manual follows the one from the PCM, largely addressing the development cooperation context. For HA and CC contexts, the terminology needs to be interpreted adequately (e.g. CD = HA delegate).

Responsibility: While this manual is applicable to all employees of HEKS/EPER, it is the main responsibility of the finance and administration teams, the CD as well as the DO to ensure that these guidelines are properly executed at all times. Even though many standard procedures are executed by the FO, it is important that every CO employee fully understands that everyone, regardless of the job position, is accountable that the processes and standards are followed correctly. Unapproved non-adherence, depending on the severity, will lead to sanctions, such as verbal or/and written warning, dismissal, dismissal with immediate effect or legal proceedings.

Conflicting laws: If there is a conflict between relevant laws and regulations (tax and civil society laws) of the respective country in which the projects are implemented and this manual, the country-specific laws and regulations shall prevail. In such cases, the HEKS/EPER country office shall send the desk officers an excerpt of the local law for acquiring approval for bypassing these guidelines. Please note that this is only true for official laws, which can be substantiated with an excerpt from the local code of law. If it is just habit or local practice, the HoID may decide that the rules of the FFAG prevail. If there is a conflict in a specific rule between this manual and a contractual agreement with an external funding organisation, the agreement's rule takes precedence while the rest shall be handled in accordance with the FFAG. Any deviation from this manual shall be approved by the HoID and shall be properly documented at the HQ and CO by using the Annex 1 – FFAG Deviation Form.

Signatures: A list of signatures for HQ and CO can be found in Annex 57

1 Structure and Application of the Manual

The FFAG includes the following chapters:

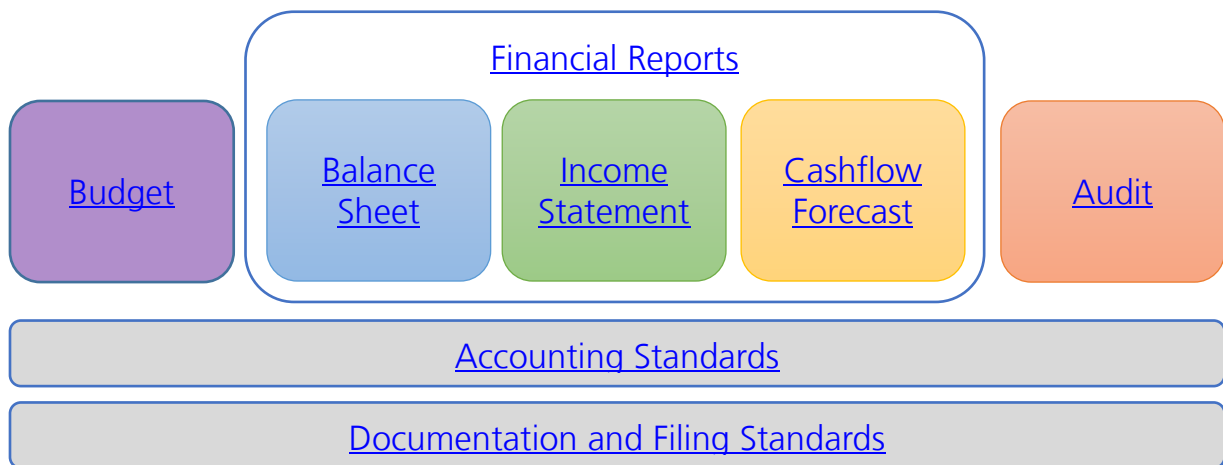
- Finance and Accounting
- Procurement and Logistics
- Vehicle Management
- Human Resources
- Partner Organisations
- Mandates
- Good Governance Policy
- IT

How to use these guidelines:

The FFAG gives a detailed description of most of the financial and administrative process requirements for COs and all employees of HEKS/EPER. It is written in such a way that it shall aid HEKS/EPER staff to find answers to their questions by summarising the relevant information about a certain account, report or process in one chapter/section with hyperlinks to related topics. It is recommended that the reader starts his/her search with the table of contents, looking for the chapter associated with the specific question. While reading, the reader will be guided to related topics and chapters.

2 Finance and Accounting

This chapter addresses the five main processes in finance and accounting. The subjects of this chapter are the following:



2.1 General Accounting and Documentation Principles

The purpose of accounting is to accumulate and report on financial information about the performance, financial position and cash flow of an organisation. This information serves as a basis for management decisions taken by various stakeholders. Once this financial information has been encoded in the accounting records, it is usually compiled into three financial reports: the balance sheet, the income statement and the cash flow forecast.

The financial reports are assembled under certain sets of rules, of which the best known are Generally Accepted Accounting Principles (Swiss GAAP FER) and International Financial Reporting Standards (IFRS). If there are no deviating national requirements, the COs and partners are asked to follow the HEKS/EPER accounting and documentation standards outlined below. These standards are the basis for every financial report submitted to HQ.

2.1.1 HEKS/EPER's Accounting Standards

The following ten accounting principles need to be complied with by all CO's and projects of HEKS/EPER:

1. Golden rules of accounting are always followed:
 - Balance sheet: $\text{Assets} = \text{Liabilities} + \text{Funds}$
 - Income statement: $\text{Income} = \text{Expenses} + \text{Change of funds}$
 - $\text{Income} - \text{Expenses} = \text{Change of assets} + \text{Change of liabilities}$
2. The financial year for COs and projects is from January 1 – December 31. Despite some countries having different financial years according to the local law, the reporting to the HQ follows the above-mentioned dates. Partner budgets and reporting also need to be structured according to the calendar year, January to December.
3. Segregation of duties must prevail within the CO. There are several processes to ensure the separation of powers, e.g. the various procurement policies and the double signature requirement. Whenever possible, the bookkeeping and the petty cash needs to be managed by two different CO employees (e.g. the accountant and the FO). Should the CO structure not permit a separation of powers within the administrative team, the CD must closely monitor the CO bookkeeping and all related reports such as the petty cash book. In such cases, random checks and stock counts (e.g. of the safe) of the CD are important.

4. Electronic accounting software: The CO bookkeeping has to be conducted in a double-entry accounting software, preferably the Banana software. Only authorised personnel shall have access to the accounting system and the related documentation. If the CO wants to use a software other than Banana, this software requires approval from Controlling and needs to be accepted by the local authority as well. The software must be able to work with different currencies and to generate a quarterly download, which can be sent to the HQ upon request. All COs are required to use software that has been acquired legally and it is not permitted to employ pirated software products. Please store the license key in the CO safe and communicate the key to the DO and HQ IT department. For further information, please refer to the [IT chapter](#).
5. Double-entry accounting: A system of bookkeeping, in which each financial transaction is recorded in two different accounts, where one account is credited (recorded on the right-hand side) and the other is debited (recorded on the left-hand side) with the same amount on the same date for the same transaction. If the accounting entries are recorded without error, the total debits equal the total credits. The transactions have to be entered in the journal, following a standard chart of accounts of HEKS/EPER¹. The fixed chart of accounts is valid for the CO as well as for the administrative and personnel costs of all projects. The operational part of the projects needs to be budgeted according to the structure of the log frame. The reason for this is to ensure that there is a consistent approach for entering similar transactions in all COs/projects. While main accounts in the standard chart are mandatory and cannot be changed, the sub-accounts can be amended to each CO's specific needs. It shall be ensured that the CO chooses names for sub-accounts that are as generic as possible in order to enable compound usage and to limit the number of sub-accounts to a minimum. For more details about the accounts and their structure, please refer to the [Financial Reports](#) chapter below.
6. Short latency: The CO books should be kept up-to-date at all times. This means that the FO shall ensure that the daily transactions are recorded in the accounting software, if possible, on the same day as they occur rather than only entering all transactions at the end of the quarter. Should this for some reason not be possible, the FO shall enter the transactions as per the date of occurrence.

The description of transactions should be meaningful and should be standardised as much as possible. This means that recurring accounting entries (such as salaries, rent payments, tax payments, etc.) should always contain the same elements in the same order in the description (e.g. "Rent Jan'16" and "Rent Feb'16"). This standardisation of the descriptions will ease the FO's verification at the quarter/year close of whether all transactions have been posted prior to submitting the financial reports to the HQ.

7. Keeping a comprehensible and well-documented audit trail, which means that:
 - i. No transactions shall be deleted from the accounting software and from the CO reporting to the HQ. Incorrect transactions must be reversed by a respective cancellation posting.
 - ii. It is not possible to change any transactions in past periods that were already consolidated by the HQ. Any corrections need to be posted with a cancellation posting in the current period.
 - iii. Every transaction requires a meaningful description and original supporting document (e.g. an invoice). For further information, please refer to the next chapter [HEKS/EPER's Documentation and Filing Standards](#).
8. Matching principle (accrual principle): It is important that the relevant expenses and revenues are recorded in the correct quarter in order to show a realistic picture of the balance sheet. This is particularly essential at year close. Consequently, the accrual method must be applied by the CO. While the local accounting may have to follow the local law requiring the application of the cash principle, the reporting to the HQ needs to use the accrual principle. According to the accrual method, all income is registered as soon as it is received in the bank.

¹ The HEKS/EPER standard chart of account can be reviewed in Annex 14.

The expenses need to be allocated to the time period in which they occur and not to the date in which the cash is being paid. To do this, the FO needs as a first step to record all invoices at the time of receipt. At the end of the quarter, the FO must verify that all relevant expenses from that quarter have been recorded, even if no respective invoice has been received during this quarter. There are two possible scenarios for not recording expenses in the quarter they actually occur:

- i. The invoice of an expenditure that already happened but was not yet received: In such cases, the FO needs to accrue for this expense by debiting the respective expense account and crediting the accrual account in the liabilities section of the balance sheet. If the amount is unknown, the FO shall estimate it (e.g. based on historical costs such as the average expense amount of the last 3 months). Once the actual invoice is received and recorded, the FO needs to reverse the accrual. An example of this is a phone bill. The FO knows that all employees have used their phones during the quarter but at the time of the quarter close, the phone bill for the last month had not been received. Accordingly, the FO estimates the phone invoice amount by calculating the average phone bill of the past three months and records it as a debit to the telecommunication account in the income statement and as a credit to the accrual account in the balance sheet.
 - ii. The expenses were prepaid for several months: If an expense is being prepaid for several months, the FO needs to spread this cost evenly across the months of the prepayment. This is done by recording the prepayment as a debit to the prepaid expenses account in the asset section of the balance sheet and as a credit to the bank. Thereafter, the quarterly expense amount is charged to the respective expense account (income statement) during the particular quarter by crediting the prepaid expenses account and debiting the relevant expense account in the income statement. An example is the rent. A CO has prepaid CHF 600 for a rent period of the next 6 months (being Jan 1 – Jun 30). Time of payment is Dec 20. On Dec 20, the FO books “prepaid expenses / bank” with the amount CHF 600. At Q1 close, the FO charges the Q1 portion of the prepaid expense account to the rent account in the income statement. Total expense CHF 600 / 6 months = CHF 100 as a monthly expense. This process is repeated during all future quarter closes until the prepaid expense account is zero.
9. The rules against offsetting are respected, stating that all assets and liabilities, and all revenues and expenditures must be shown separately and are not allowed to be offset against each other. Two examples:
- i. A CO shares its office with another organisation but it needs to pay the full rent to the property owner while receiving part of the rent back by the other party in a separate transaction. In this case, the FO needs to record the full rent payment to the landlord in the rent account of the income statement and recognise the rent payment of the second party to the CO as “other income”. It is not allowed to offset second party’s rent contribution from the rent payment to the property owner.
 - ii. If a CO receives a transfer from the HQ, it needs to recognise the gross amount (received transfer + all bank charges) as an income and then post the bank charges in a second step. This ensures that the CO shows a realistic amount for the bank charges and income, while keeping the bank account in the books matching with the actual bank statement. [Example: The CO receives a HQ transfer of CHF 1,000, of which the bank deducts 1% as its bank charges and 3% as taxes. The FO first books “bank / HQ income” – CHF 1,000 and then secondly “bank charges / bank” – CHF 40].
10. CO and Partner Reporting to the HQ are based on the Annex 2 – Group Reporting and Project Budget and Reporting (Annexes 3 and 4). It is important that the information in those two reports is reconciled with the data in the local accounting software. The reconciliation between the CO local accounting and the CO reporting to the HQ must be confirmed by the auditor as part of the annual CO audit.

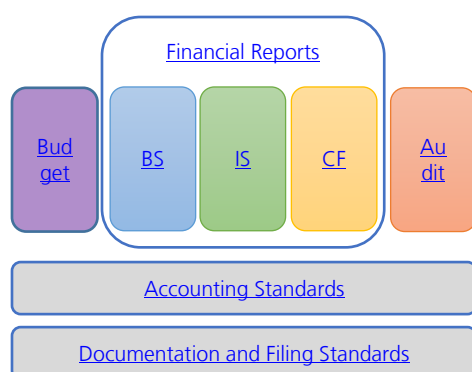
The reporting deadlines for partners are specified in the project agreement, while the reporting deadlines for the CO financial reports to the HQ are as follows:

Quarter 1	Quarter 2	Quarter 3	Quarter 4
April 15	July 15	October	January 15

Should these dates be on a weekend, the last business day prior to this weekend shall be the day of reporting deadline.

For further information, please refer to the chapter [Quarter / Year Reporting Process](#).

2.1.2 HEKS/EPER's Documentation and Filing Standards



When creating the financial reports, it is important that every transaction is substantiated by a supporting document to keep a complete audit trail as indicated in the [HEKS/EPER's Accounting Standards](#) No. 7. The reason for keeping valid supporting documents is that it delivers solid justification for the authenticity and validity of the disbursement.

The CO shall do its utmost to obtain original supporting documents for all expenses and incomes. This can for example be an original invoice, monthly salary slip or a filled-in and signed working advance form. Should this not be possible, the FO shall generate a receipt using a receipt booklet or create an accounting voucher manually as per Annex 5. The manual supporting document needs to be signed by two people prior to the expense being recorded in the accounting software.

The purpose of supporting documents is to provide documentary proof that a given expenditure assigned for the implementation of the project was necessary and appropriate and not just to document the fact that the expenditure was made per se. It must be clearly understandable that a cash flow has occurred (proof of payment). For bank payments, the supporting document is the invoice and the bank statement; for cash disbursements, all invoices or receipts need to be signed (and if applicable, stamped) by the recipient or supplier. If expenditures are incurred by a [procurement](#) process, all steps of this process must be documented by appropriate documentation.

Each supporting document needs to be marked² with the following information:

- Transaction number as assigned by the accounting software.
- Date of payment.
- Project number.
- Account against which this expense is posted.
- Approval signature(s) according to the Rules on Financial and Material Responsibilities (Annex 6). Please note that the CD cannot approve their own expenses themselves. On a monthly basis, the FO verifies the expenses of the CD and makes a respective reimbursement to the CD. On a quarterly basis, the CD scans all their receipts and sends them to the DO for approval. If the DO rejects a submitted expense receipt or there was an error, the DO will advise the FO to deduct the respective amount from the next salary payment to the CD.
- In case of cash payments, the recipient's signature on the invoice to prove that they have received the money.

If the main content (description of item or service) of a receipt is not written in English, Spanish, Portuguese or French, the description must be translated into one of these languages on the receipt itself. The detailed description of the item or service, currency and amounts must be clear and legible.

² This can be done by generating a voucher and filing it together with the supporting document, by writing it on the supporting document itself or by a stamp and filling in the according information.

The supporting documents shall be filed according to the transaction number assigned by the accounting software. It is possible that one transaction has several supporting documents (e.g. a tender purchase has a purchase request, tender documents, decision etc.). If so, all supporting documents shall be filed together.

All supporting documents must be attached to each other and must be filed together in a chronological way. Supporting documents can be, for example:

- Invoice
- Proof of payment
- The selection table, the offers and the tendering documents
- Copy of the contract
- Advance payment vouchers
- Purchase request
- In case of an uncleared cheque, this needs to be crossed out and cancelled in the bookkeeping with a cancelation posting. However, for documentation purposes the cheque needs to remain within the CO files.

The documentation shall be proportionate: the larger the transactions, the greater the documentation requirements. It is essential that the expenditures are documented in such a way that after the end of the project (e.g. in the case of a follow-up audit) the expenses can be understood by external persons.

Filing

For repetitive charges (such as the monthly rent payment), it is not necessary that a copy of the agreement is filed each month as a supporting document. The FO just needs to ensure that the original agreement is filed, where it can easily be found for audit purposes.

All documents must be kept in the CO for a minimum of 10 years, which is a legal requirement for all Swiss organisations. If local regulations require the archiving of accounting documents for longer than 10 years, the local requirements must be followed. All COs need to store the current and past supporting documents within the CO and not with the auditor or any other external party. If the original supporting documents are printed on a type of paper which will not remain readable for 10 years (e.g. thermal paper), the FO either needs to copy the original onto normal paper and file it together with the original or shall scan and file them electronically.

All important documents such as:

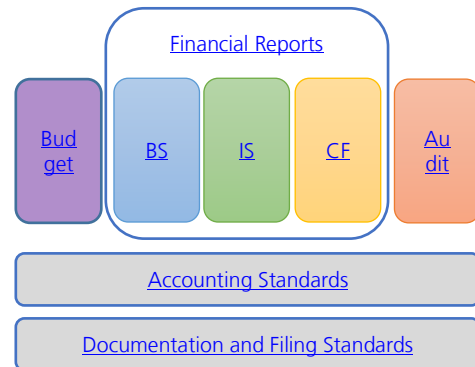
- Contracts with partners, rent, etc.
- Quarterly local accounting downloads and submitted financial reporting of the CO.
- Financial and narrative reports of partner.
- Registration documents and other important legal documents.

need to be scanned and stored electronically where the HQ can access them at all times. For further information on this, please refer to the [IT \(Information Technology\)](#).

The FO and CD are authorised to destroy documents that are older than 10 years with the exception of documentation for ongoing contracts and projects.

2.2 Financial Reports

As indicated in the [HEKS/EPER's Accounting Standards](#) No. 10, all COs submit a reporting package to the HQ on a quarterly basis (hereafter "CO reporting"). The CO reporting comprises three different reports. These are 1) the [balance sheet](#)³, 2) the [income statement](#) and 3) the [cash flow forecast](#). In addition to these, there are other reports to be submitted such as the inventory list (please refer to the [procurement](#) chapter as well as to the [fixed asset](#) section for more information), HR information report, vehicle logbook⁴ and time reporting⁵. The CO reporting serves the CO and DO for monitoring and steering purposes.



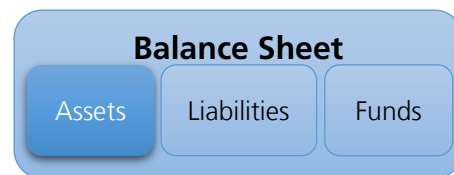
For HQ consolidation purposes, all COs as well as the administrative part of the projects have to follow a standard chart of accounts in their financial reporting packages. The structure and the chart of accounts can be reviewed in the group reporting template (Annex 2) as well as the project reporting template (Annexes 3 and 4). Each account and the respective processes are explained in the following chapters.

2.2.1 Balance Sheet

The balance sheet presents the organisation's financial situation at the quarter close and is divided into the three categories of assets, liabilities and funds. As indicated in the [Accounting Standards](#) No. 1, the assets need to equal the liabilities plus funds.

2.2.1.1 Assets

The assets are structured in the five categories [current assets](#), [accounts receivables](#), [prepayments](#), [fixed assets](#) and [financial investments](#).



2.2.1.1.1 Current Assets

The current asset section has three different accounts, covering the monetary capacities of the organisation at a certain point in time. The accounts are [cash](#), [bank](#) and [bank for the retirement/social security fund](#). The last account mentioned is not applicable to all COs and depends on the local law requirements regarding severance fund and social security savings. For further information about this, please also refer to the [HR section](#).

Monetary transactions shall be done by bank transfers. Should this not be possible, a cheque payment (crossed cheque only⁶) is preferable to a cash payment. It is also permitted that a CO uses either a debit card or a prepaid credit card. All further guidelines regarding payments can be found in [Procurement](#) chapter.

Should there be a need to exchange money from one currency into another, it is only permitted to do so at a bank or a registered/official exchange office with electronic receipt. It is not permitted to execute money exchanges on the black market. The exchange shall be documented with a receipt from the bank/exchange office, showing the amounts in the two currencies, the date as well as the exchange rate.

³ This only applies to the CO, not to the project.

⁴ Only applies to project reporting.

⁵ Only applies to project reporting.

⁶ A crossed cheque is any cheque that is crossed with two parallel lines, either across the whole cheque or through the top left-hand corner of the cheque. This symbol means that the cheque can only be deposited directly into a bank account and cannot be immediately cashed.

Cash – Group Reporting Account No. 10

The cash account is the sum of the total cash amount that is physically kept in the CO. Depending on the set-up of the CO, this comprises the money in the petty cash as well as the safe. In its “Rules on Material and financial Responsibilities” form (Annex 6), every CO defines the maximum amounts to be held in the petty cash and the safe. All replenishments of the petty cash and the safe need to be approved by the FO. If there is no segregation of duties between cashier and FO, the replenishments need to be approved by the CD. All entries in the cashbook (including the replenishments) need to be entered into the organisation’s local accounting books.

The petty cash is a small fund of cash kept on hand for making immediate payments for small expenses, for which it is not sensible to make bank transfers or to write a cheque. In general, the COs are requested to limit its petty cash and cheque transactions as much as possible. The CD needs to nominate a responsible person for the petty cash management (hereafter the “cashier”), thereby respecting the segregation of duties as formulated in [HEKS/EPER’s Accounting Principles No. 3](#). The nominated person can be the accountant, the assistant or any other person, depending on the set-up of the CO, as long as the segregation of duties is followed. The petty cash box must be kept in a safe/lockable place, only accessible by the cashier. No more than two keys shall be available for the box. One key must be kept in a sealed envelope in the safe or where no safe is available with the CD, the other key is kept by the cashier. The cashier is responsible for maintaining the cashbook and keeping it up-to-date at all times. All cash transactions (safe and petty cash) need to be documented in the cashbook in a sequential order (meaning that the transactions have to be recorded in the chronological sequence of when they were happening). The minimum standards of the cashbook is to be found in Annex 7, If this template is used by the cashier, they need to make sure that all blank fields are filled in.

If a CO decides that it is necessary to keep a safe in the office, the safe needs to fulfil the following requirements:

- i. Heavy (not easily removable, if possible fixed to the ground floor or wall).
- ii. Secure locking mechanism (several anchor points from the door to the frame).
- iii. It must be impossible to produce a duplicate of the key locally.
- iv. The safe must not have any defects, holes or twisted parts, etc.
- v. No more than two keys are available for the safe. One key must be kept in a sealed envelope with the CD, the other with the FO.

At the end of each month, two people (usually the cashier and the FO) count the cash in the petty cash box as well as the safe and reconcile them with the cashbook as well as the local accounting. If everything is correct, the balances need to be entered into HEKS/EPER’s Group Reporting (Annex 2) in the “Cash & Safe” tab. The correctness of the data shall be confirmed in the group reporting with the date and the signatures of these two people.

In addition to the above process, the CD shall perform unannounced checks of the petty cash and safe at irregular intervals.

Bank– Group Reporting Account No. 11

In the “bank” balance sheet account, the CO’s current and savings bank accounts shall be recorded. In order to keep the administrative burden to a minimum, a CO should only have two bank accounts: one current account for daily operations and one savings⁷ account⁸. Both accounts must be in local or reporting currency (reporting currency = currency of the group reporting to the HQ). Should there be reasons why a bank account should be opened in another currency, written authorisation from the HoC is required. Depending on the local law and the staff regulations, a CO may require an additional bank account for the retirement fund and social security provisions. This case will be discussed in the next chapter.

⁷ Opening a separate savings account is only sensible when a savings account offers better interest rates. If this is not the case, the DO and CO can discuss other solutions, if any.

⁸ Depending on the country-specific risks and stability, the DO and CO can opt for opening the bank accounts at different banks. This enables the CO to transfer the money to the other bank in case that bank is close to going bankrupt.

In general, the opening of a new bank account needs an approval of the DO. To facilitate this, the CO shall send the following information in Annex 8:

- Purpose/reason for the new bank account.
- Full name and address of the bank.
- Type and currency of the account.
- List of people who will have access and signatory rights. Double signature (1st signature always CD, 2nd FO). Should a double signature not be possible, the single signature needs to be approved by the HoID. (In order to ensure smooth running of the payments during holiday seasons, a CO can choose to have three CO staff authorised to sign for transfers).
- At least two people from HQ have joint signature for emergencies (usually DO/HoD/Controlling).
- Double signature is always required for cheque payments.
- It should be possible to transfer money back to Switzerland without restrictions.
- The bank's rating, creditworthiness, ease of access as well as reputation (any scandals or corruption cases?).
- Are there close relations between the bank owners and the government (can potentially be found on the bank's website under corporate governance)?
- Is the bank international or local? In general, international banks must be given preference over local ones. It might be worth checking the correspondent bank for international transfers. If the correspondent bank is known and/or international, the transfers will run smoother.
- Offered services (e.g. online banking, debit cards, prepaid credit cards).
- Bank charges.
- It shall not be possible to overdraw the bank account. If there are no bank accounts available which cannot be overdrawn, it requires approval by Controlling.

Once the required approvals are given, the bank account must be opened in the name of HEKS/EPER as it is not permitted to transfer HEKS/EPER funds to private bank accounts. Should this not be possible, this needs to be discussed with the HoID and HoC. If approved as a temporary and exceptional case, it necessitates a signed Trust Agreement (Annex 9) prior to such a bank account being opened and/or the transfer being made.

Once the bank account is opened, the FO shall fill in all the information in Annex 10 and send it to the DO and the AA with a copy to Controlling. The AA will incorporate this bank information into the HQ IT system. If a bank account is no longer required, the FO will request approval by the DO to close it. After the closure, the AA is informed to cancel the bank account in the HQ IT system as well.

At **quarter end**, the FO needs to ensure that the bank statements of all active bank accounts and for all three months are obtained from the bank and that the statements reconcile to the local accounting as well as the group reporting. It is not permissible for the bank statement to display a different balance amount than indicated in the accounting and reporting. Should there be any discrepancy, the FO needs to review the bank statement for uncleared cheques or/and evaluate the accrual account in the balance sheet. In general, all transactions and only the transactions of the statement shall be recorded in the bank account on the balance sheet. If something is not in the bank statement, it shall not be part of the bank transactions in the accounting. This rule is particularly important concerning cheques. If a cheque is unpaid/uncleared at quarter end, it shall be accrued for in the "[Uncleared Cheques](#)" account in the liabilities section of the balance sheet and shall not be charged against the bank account in the CO books. This quarterly check replaces the bank reconciliation process, which will not be required anymore in future.

Bank – Retirement/Social Security Fund– Group Reporting Account No. 12

Depending on the local situation, a CO might require an additional, dedicated bank account in order to provide separately for the social security and/or severance funds. This separate bank account is required if the retirement provisions are not being paid to an external institution (e.g. the social department of the government), but need to be kept at CO level.

Any interest earned on the staff's retirement fund/social security provision does not form a part of the payment to the employees upon their departure, but belongs to the CO and needs to be recorded as [Other Revenue / FX Gain – Group Reporting Account No. 1002](#) in the CO income section.

Should an employee require a [salary advance](#), it is not to be paid out from the employee's retirement savings, but from the CO fund. The general principle is that the retirement bank account is exclusively used for retirements and cannot be used for any other purposes.

No loans (neither from the social security [provident fund] nor from the CO fund account) are permitted.

At [quarter end](#), the balance of this account = the balance on the bank statement = the total amount in the account "[Retirement/Separation Fund Provision](#)" [in the liabilities section of the balance sheet]. For further information on when and how to provision for social security, please refer to the [Total Salaries and Social Charges](#) and [Termination / End of Employment](#) chapters.

2.2.1.1.2 Accounts Receivables

The accounts receivables (hereafter AR) section of the balance sheet summarises all legally enforceable financial claims of the CO against internal and external parties. In the CO chart of accounts, there are four different accounts: [general accounts receivables](#), [accounts receivables against the HQ](#), [inter-organisational accounts receivables](#) as well as the "[Salary & Working Advances](#)" account. Those four accounts are reserved for CO AR only. It is not permitted to post any ARs from projects into the CO account receivables. Those need to be registered in the project accounting records.

It is important to monitor the CO's AR and to follow up on a monthly basis with the parties who owe money to the CO. It is the responsibility of the FO to ensure that the AR is kept to a minimum by good monitoring and management.

General Accounts Receivables – Group Reporting Account No. 20

In the general AR account, all amounts shall be recorded that are owed to the CO by external entities (meaning not HQ, not other Cos and not CO staff). The main purpose of this account is to bridge the gap between the point in time when debt occurred and the time of payment. The FO shall only record an AR if it is reasonably sure that the other party will pay this in future. The usual accounting record is "accounts receivables / other revenue". Once the payment is received, it shall be cleared with "bank / accounts receivables".

At [year end](#), the FO shall analyse the recorded AR in order to determine whether they shall remain on the CO books or be written off. If an AR is old and despite many reminders the debt has not been cleared, the CD shall approve its write off, which shall be done by the FO by reversing the initial posting in the current period with its respective counter-posting. The CD is authorised to approve a write off up to CHF 200. If the required write off amount exceeds this threshold, it requires additional DO approval.

Accounts Receivables against HQ – Group Reporting Account No. 21

In the HQ AR account, the FO records all items that were agreed with the DO that the HQ will reimburse. It is important that all HQ AR do not form a part of the CO expenses but are posted only as a balance sheet transaction. The accounting record for this is "accounts receivables HQ / bank".

After doing so, the FO shall coordinate with the DO and the AA that the HQ reimbursement is paid together with the next transfer⁹. The AA shall advise the FO what the net amount of the CO transfer will be, the addition due to the HQ AR reimbursement and the total transfer amount (including the HQ AR).

⁹ Please note that the HQ AR and AP are by standard added and deducted respectively from the CO transfer requests in the cash flow forecast of the group reporting. For further information, please also see [Cash Flow Forecast](#).

For further instructions, please see the section about payments in the [Income by HQ Transfers](#) chapter. Once the payment is received, the FO shall record “bank / CO income” for the net transfer amount and shall clear the AR HQ with the posting “bank / accounts receivables HQ”.

In general, the AR HQ should be kept to a minimum. Expenses such as catering for visitors should be directly budgeted for in the CO budget and should not be charged back to the HQ. The expenses of the HQ visitors shall be paid by themselves and shall accordingly not be budgeted in or charged to the CO.

Inter-organisational Receivables – Group Reporting Account No. 22

This account comprehends all AR against other COs. This transaction is posted “intercompany receivables / bank” as it needs to be kept as a balance sheet transaction, just like the AR HQ. For further important instructions, please also see the paragraph below about [inter-organisational payables](#).

Salary and Working Advances – Group Reporting Account No. 23

There are two different kinds of advances that a CO can grant to its employees: a working advance and a salary advance.

A working advance is an advance payment to an employee for paying the expenses of, for example, an upcoming trip or to settle an invoice/purchase on behalf of HEKS/EPER. It can be granted within the limits defined in the Rules on Financial and Material Responsibilities. Regarding working advances, the FO has to ensure the following:

- Only one working advance can be granted per person. A new advance will only be granted if the previous one has been fully cleared.
- The top section of the Working Advance Form (Annex 11) is to be completed, dated and signed by the FO, the recipient as well as the person designated as the approver in the Rules on Financial and Material Responsibilities. Only after all approvals are obtained can the advance be paid (in cash, cheque or via bank transfer). The form is kept in the archives of the FO upon clearing.
- The accounting record for granting a working advance is “salary and working advances / bank or petty cash”.
- Each employee shall do their utmost to gather original receipts for their expenses. Should this be impossible, the holder of the working advance shall create a manual receipt and have it signed by the FO and CD for approval. If the expense is more than CHF 200 and no receipt can be obtained, it requires additional approval by the DO. The total of all quarterly expenses without receipts shall not exceed CHF 500, otherwise the list of expenses also needs to be approved by the DO.
- If the main content (description of item or service) of a receipt is not written in English, Spanish, Portuguese or French, the description must be translated into one of these languages on the receipt itself. The detailed description of the item or service, currency and amounts must be clear and legible.
- Upon return from the trip or at the latest two weeks upon return, the working advance needs to be cleared. For clearing a working advance, the recipient needs to fill in the expenses in the lower section of the working advance form and submit it together with the original receipts to the FO for review. Should the FO be the recipient of the working advance, the review shall be done by the CD.
- If there are any doubts concerning the validity of a receipt, the CD can refuse the reimbursement of this expense.
- If the working advance is granted for travel expenses, the rules defined in the chapter [Remuneration and Expenses Reimbursement](#) need to be observed prior to the working advance being reconciled.
- The accounting record for clearing a working advance is for 1) realised expenses: “Expense account / salary and working advances” and for 2) returned cash: “cash or bank / salary and working advances”. Of course, the sum of 1) and 2) must equal the total working advance that was initially granted. It is the responsibility of the FO to ensure that the full working advance is cleared cash-wise and in the bookkeeping.

A salary advance should only be granted to CO staff on exceptional circumstances (e.g. health problems in the family), which are not work-related. It is only permitted to grant a salary advance under the following conditions:

- The employee has a permanent contract with HEKS/EPER for more than one (1) year.
- It is permitted in the local legislation to grant salary advances.
- It is only permitted to receive up to four salary advances per year.
- The maximum amount of one salary advance is 50% of the employee's monthly net salary.
- The recipient has filled and signed the Salary Advance Form (Annex 12) and it is approved by the FO and CD.
- The advance will be netted from the employee's next salary payment. Should this not be possible, the repayment mode needs to be specified in the Salary Advance Form (Annex 12).

No loans (from either the social security [provident fund] or the CO fund account) are permitted.

Prior to **closing the quarter**, the FO shall do their utmost to clear as many advances as possible. In addition, the FO needs to deduct the monthly reimbursement amount of any open salary advances from the respective employee's salary and post it accordingly in the local accounting and group reporting.

2.2.1.1.3 Prepaid Expenses – Group Reporting Account No. 30

A prepayment is a settlement of a debt or expense prior its official due date. A typical example is rent prepayments. As outlined above in [HEKS/EPER's Accounting Standards](#) No. 8, the FO needs to ensure that the expenses are reported in the correct time period. Further instructions can be found in the aforementioned chapter. This is an important step in the **quarter close**.

Please also read the [Procurement](#) chapter for important information about prepayments.

2.2.1.1.4 Fixed Assets – Group Reporting Account No. 40

In the fixed assets account, all tangible goods and assets are recorded which cannot be easily converted into cash. HEKS/EPER differentiates between three fixed asset categories: 1) vehicles, 2) IT & Telecom and 3) all other assets. It is the responsibility of the FO that all CO assets are capitalised and depreciated according to the instructions in this chapter. Please note that fixed assets capitalisation and depreciation are treated differently at project level (please see [Project Depreciation Expense](#)).

As discussed in the [Asset Management](#) chapter, all items with a purchase price above CHF 50 as well as all electronic devices need to be entered into the inventory list (which is a part of the HQ Group Reporting – Annex 2) in order to keep control of the belongings of HEKS/EPER in a certain country and also to document which inventory items belong to which project. Of all the things in the inventory list, only those items with a total purchase price (incl. import duties) above CHF 3,000 need to be activated in the balance sheet as a fixed asset. The reasoning for the capitalisation of investment-intense purchases is to spread the expense burden over the average utilisation period of the asset. This serves the above-described matching principle ([HEKS/EPER's Accounting Standards](#) No. 8) to allocate the expenses to the correct period. The accounting record for activating an asset in the balance sheet is "fixed asset account / expense account".

HEKS/EPER uses indirect depreciation. This means that the items are activated in the respective fixed asset category and remain in this account with the same amount until their sale or disposal. The depreciation is accumulated in a separate account, called "[accumulated depreciation](#)".

The inventory list and the respective asset capitalisation are reported on a quarterly basis to the HQ and accordingly need to be kept updated at all times. During the year, no assets shall be deleted from the inventory list. If an item is sold/stolen/disposed of, the FO needs to enter the exit date on the inventory list and needs to reduce the respective fixed asset account in the local accounting by the amount that it was originally activated with. In addition, the FO needs to deduct the accumulated depreciation of this specific asset from the accumulated depreciation account in the balance sheet. There are various scenarios:

1. If the asset is already fully depreciated, the accounting record is “accumulated depreciation (balance sheet account) / fixed asset account”.
2. Should an item not be fully depreciated and it was disposed/stolen, the FO shall post “accumulated depreciation (balance sheet account) / fixed asset account” for the amount that was already depreciated. The remainder shall be posted as “depreciation account (income statement account) / fixed asset account”. The total amount of the two accounting records must equal the total purchase price of this asset, with which it was initially activated in the balance sheet.
3. Should an item not be fully depreciated, but it was sold with a small profit, the FO shall post “accumulated depreciation (balance sheet account) / fixed asset account” for the amount that was already depreciated. The remainder of the asset value of the balance sheet shall be posted as “bank / fixed asset account”. The profit shall be recorded as “bank / other revenue”. For example, the CO activated a car with a total value of CHF 10,000, of which 8,000 has already depreciated at the time of sale. The car is sold for CHF 5,000. The FO now has to record the following:
 - “accumulated depreciation / fixed asset – vehicles” – CHF 8,000
 - “bank / fixed asset – vehicles” – CHF 2,000 (which results from CHF 10,000 – 8,000)
 - “bank / other revenue” – CHF 3,000 (resulting from CHF 5,000 – 2,000)

The total amount of the first two accounting records must equal the total purchase price of this asset, with which it was initially activated in the balance sheet.

After Controlling’s confirmation that the CO’s Q4 financial report has been consolidated, the FO shall delete all items from the inventory list that left the CO during the past year. For further instructions, please also refer to the [Asset Management](#) chapter.

Accumulated Depreciation

The HEKS/EPER standard for depreciation is the straight-line method and must be posted on a quarterly basis. The depreciation is required to accommodate the wear and tear of an asset and the resulting reduction of its value. Under the straight-line method of depreciation, each full accounting year will be allocated the same amount or percentage of an asset’s cost. For example, if an asset was capitalised with a total value of CHF 10,000 and is depreciated with the straight-line method over a timeframe of five years, the annual depreciation is CHF 2,000 per year.

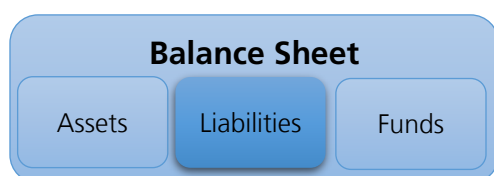
At HEKS/EPER, the depreciation period for IT and telecoms is three years, while the other two fixed assets categories are depreciated over five years. The accounting record for indirect depreciation is “depreciation expense (income statement account) / accumulated depreciation (balance sheet account)”.

The depreciation period of each item starts at the time of purchase, which means that if a CO buys a car on 1 December, it is required that this car is depreciated in the year close report with the depreciation value for one month.

2.2.1.1.5 Financial Investments – Group Reporting Account No. 50

The “Financial Investments” account is used to record all kind of financial investments, usually committing the money for a timeframe of more than one year and usually yielding in an additional income though interest. An example of such financial investments are the microcredit funds. Within HEKS/EPER, this account does not apply to most of the COs.

2.2.1.2 Liabilities



The liabilities represent the obligations of an organisation, meaning the money that the organisation owes to other parties (e.g. suppliers). In HEKS/ EPER’s standard chart of accounts, there are four different liability sections:

[current/short-term liabilities](#) (existing liabilities which need to be paid within a year), [accruals](#) (representing the liabilities which the organisation expects to pay in the future), [retirement/separation fund](#) (recording the future social security obligations to be paid to staff upon departure), and [Other Long Term Liabilities – Group Reporting Account No. 90](#) (showing the liabilities that are due at any point after one year).

2.2.1.2.1 Current/Short-Term Liabilities

The liabilities to be paid within one year are divided into three categories: [accounts payable](#), [accounts payable – HQ](#) and [inter-organisational payables](#). It is the responsibility of the FO to manage those three accounts, meaning that all liabilities are cleared as quickly as possible.

Accounts Payable – Group Reporting Account No. 60

The general Accounts Payable (hereafter AP) show the amount that an organisation owes to external parties for items or services purchased on credit. The criteria to classify for this account are that 1) it is owed to an external party, 2) it is due within one year's timeframe and 3) an invoice has been received. If 1) is not true, then the liability needs to be recorded as an accounts payable – HQ or as an inter-organisational payable. If 2) is not true, then it shall be posted as a long-term provision. If 3) is not applicable, then the FO needs to verify whether the liability should be posted as an accrual.

Prior to [closing the quarter](#), the FO needs to ensure that all current/short-term liabilities incurred are properly recorded in the correct expense account in order to ensure the matching principle.

Accounts Payable – HQ – Group Reporting Account No. 61

The Accounts Payable – HQ is an account to record all liabilities that the CO has to pay to the HQ. In general, this account should only be used in exceptional cases as the funds available in a CO should not be sent back to the HQ. If a project is closed and there are still unutilised project funds at the CO, the CO will suggest to the DO in which project these funds can be employed or whether the money should be reallocated to the CO fund. After the DO's approval, the FO shall reallocate the remaining resources by posting "project funds (of now closed project) / CO or project fund (that shall receive the money)". For further details, please see [Funds](#) chapter.

The above process relates to unutilised funds at the CO. Should there be any balance with the partner at the end of the project, this needs to be discussed between the partner organisation, the CO and DO prior to project close. The balance either needs to be allocated to the next project phase or needs to be paid back to the CO. Evidently, prudent cash flow management shall avoid having any balances at the partner organisation at the project end.

Should the accounts payables – HQ not result from unutilised project funds, HEKS/EPER prefers to settle such debts by deducting the owed amount from the next transfer to the CO. Please note that this is already automatically calculated in the CO cash flow forecast in the group reporting (Annex 2). In such a case, the CO needs to create an internal debit note as per Annex 13 and send it to the HQ together with the CO reporting. Upon payment, the AA needs to advise the FO about the gross transfer amount, the deduction for the HQ payables and the net transfer amount.

The last amount is the one to be paid to the CO. Upon receipt of the HQ transfer, the FO shall post "bank / CO income" for the received funds. For the amount deducted for the HQ payables, the FO shall record "Accounts Payables – HQ / Income CO" in order to clear this account.

Inter-Organisational Payables – Group Reporting Account No. 62

In this account, a CO records all liabilities that need to be paid to another CO (e.g. due to a joint event such as a regional meeting). Such transactions shall be kept to a minimum.

The FOs of all involved COs need to coordinate with one another so that the same amount is recorded in all CO accountings in the same quarter. It is essential that the consolidated inter-organisational payables of all COs = the total of the inter-organisational payables of all COs. These transactions need to be supported with internal debit notes that the receiving CO needs to issue against the paying CO. For an example of such a debit note, please refer to Annex 13.

This debit note shall be sent to all involved FOs and CDs, which needs to be settled by a direct payment from one CO to another. Upon confirmation of the receipt of the payment, all COs shall cancel their inter-organisational AR and respective AP at the same time by posting inter-organisational payables / bank and respective bank / inter-organisational receivables.

2.2.1.2.2 Accruals

In the accrual account, a CO shall record all liabilities that it expects to be required to pay in future, but that have not yet been recorded in the current/short-term liabilities because no invoice has been received. A liability should only be accrued if it is reasonably probable that it will be required to be paid. The reason for accruing these expenses is due to [HEKS/EPER's Accounting Standards](#) No. 8. An accrued expense always needs to be posted against an expense account of the income statement.

Uncleared Cheques – Group Reporting Account No. 70

It is preferred that payments are handled via bank transfers and only if this is not possible shall a cheque or a cash transaction take place. In case a cheque payment is made, the FO needs to record this monetary transaction by posting “expense account / uncleared cheque account” with the respective amount. The reason for entering all issued cheques in the uncleared cheque account is that this account provides the FO with a complete list and hence full control over all open cheques at any time. Once the FO sees on the bank statement that a cheque has been cleared, they shall post “uncleared cheques / bank”. It is not permitted to post an expense account directly against the bank if the payment was made via cheque. Please also refer to the [Initiate Payments](#) chapter for further information.

Accrued Expenses – Group Reporting Account No. 71

In this account, the FO accrues for all expenses that occurred in the current reporting period if it is likely that they will need to be paid, but have not been recorded yet in the current/short-term liabilities. For further instructions and examples, please refer to [HEKS/EPER's Accounting Standards](#) No. 8.

2.2.1.2.3 Retirement/Separation Fund Provision – Group Reporting Account No. 80

Depending on the local situation, a CO might need to accrue for its staff social security provisions. This could be either the pension/social charges (employee and CO portion), severance, or a combination of the two. These type of provisions need to be made in a separate CO bank account (please see [Bank – Retirement/Social Security Fund](#)) in case the payments do not need to be paid to an external party. For further information on when and how to provision for social security, please refer to the above-mentioned Bank chapter and to the [HR chapter](#).

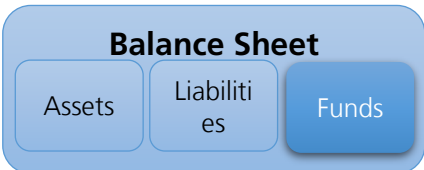
At **quarter end**, the balance of this account must equal the total amount recorded in the respective bank account in the balance sheet.

At **year end**, the FO needs to send an overview table to HQ with all details of the remuneration and the severance calculation and provision.

2.2.1.2.4 Other Long-Term Liabilities – Group Reporting Account No. 90

If there are any liabilities with a due date more than one year in the future, the FO shall record them as long-term liabilities rather than in the current/short-term account. If something is recorded in this account, the FO shall verify at each **quarter end** whether this amount can be cleared or will remain. This account will not be needed by most COs.

2.2.1.3 Funds – Group Reporting Account No. 100 – 140



The Funds section provides an overview of the organisational capital at reporting time. At HEKS/EPER, we differentiate between CO funds and project funds. The latter is only used if the project transfers flows via the CO to the partner organisations.

If so, the FO needs to open for each project a separate fund account in the CO balance sheet (please see Annex 14 with the basic structure of the CO chart of accounts). It is required to mention the project number either in the fund account number or in the fund account name.

In general, HEKS/EPER aims to have the project funds flowing through the COs because the CO can fine-tune the programmatic and financial management of the partners as it is much closer to them (please read [Transfers to Project Partner](#) for more information). Should there be reasons why this payment flow is not recommended or viable in a certain country, the case shall be discussed with Controlling.

The funds are the remaining balance when the total (CO or project-related) income is reduced by its respective expenses. Consequently, it is possible that the funds have a credit balance (meaning that there are remaining funds on the respective project) or that it shows a debit balance (meaning that more money has been expensed off a project than was transferred to this project by the HQ).

At the **end of each quarter**, the FO needs to create a neutral income statement by posting the quarterly income of a project to its fund as “project-specific change of fund account / project-specific fund account”. In a second step, the FO records the total amount of the quarterly project-specific expenses to the fund by posting “project funds / project change of funds”. This procedure is repeated for all projects as well as the CO fund. For further clarifications on this process, please see Annex 15. When completed, the profit in the income statement must be zero. If this is not the case, there is an error in the quarterly postings, which needs to be found and corrected prior to sending the financial reports to the HQ for consolidation.

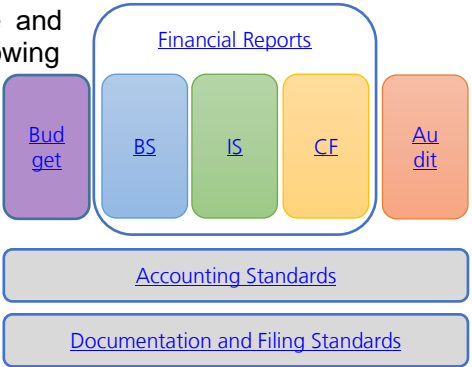
Please note that it is not possible to directly post any income, balance sheet, or expense account against the fund account. Fund accounts can only be posted against another “fund” or a “change in fund” account.

In the event that there are still remaining funds at the end of the project (after the final project payment has been made), the CO will suggest to the DO in which other project this balance can be employed or whether the money will be reallocated to the general CO fund. After approval by the DO and HoC, the FO shall reclassify the remaining resources by posting “project funds (of now closed project) / CO or project fund (that shall receive the money)”. This is an important last step in closing a project at the CO level. If this is not done, this project will continue to create exchange rate expenses/income via the quarterly HQ consolidation.

2.2.2 Income Statement

The income statement shows the organisation's revenue and expenses during a certain period. It comprises the following account sections: [CO Income](#), [CO Expenses](#), [Project Income](#), [Project Expenses](#) and [Change of Fund accounts](#)¹⁰.

Each account section has various sub-accounts as described in the below chapters. It is important that the income and expenses of each project and the respective CO are kept strictly separate. Any reclassification from one project to another requires written approval by the DO.



Please note the following:

- All income statement accounts need to be set to zero at 1 January of each year.
- All income and expenses need to be substantiated as discussed in the [Documentation and Filing](#) chapter.

¹⁰ Project Income and Project Expenses only need to be opened, if the transfers for the projects are being made through the CO. For further information, please see Annex 14 outlining the account structure.

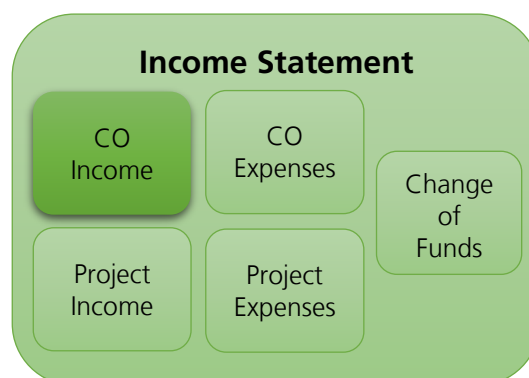
- All expenses need to be recorded in the appropriate budget line, even if the budget line is exceeded. This means, for example, that it is not permitted to charge any travel expenses into the “miscellaneous” budget line just because the travel expense budget line is already fully utilised. Any deviations from the budget of +/-10% need to be explained in the group reporting package.
- As a general rule, the DO and CO shall do their utmost to limit the number of HQ transfers to the CO and the projects as much as is possible and sensible in the local context, keeping the liquidity at a reasonable level considering the local risks. As a general rule, the HQ will transfer to CO and projects on a quarterly basis. Additionally, the CO will receive a float of a quarterly budget in order to accommodate any financial fluctuations at CO and project level.

2.2.2.1 CO Income

The CO income section contains five different accounts, these being [Income by HQ Transfers](#), [Donations by Other Third Parties](#), [Other Income / FX Gain](#), [Income by Projects](#), and [Extraordinary Income](#).

2.2.2.1.1 Income by HQ Transfers – Group Reporting Account No. 1000

It is important to manage all transfers to the CO and the partners in a timely manner as there are various process steps, involving the CO and various departments at the HQ. The process is as follows:



Preparations at CO Level

The HQ payments to the CO are done on a quarterly basis based on the cash flow forecast which the CO submits as part of the quarterly reporting package to the HQ. For further instructions on how to create the cash flow forecast, please visit the [Cash Flow Forecast](#) chapter.

At HQ Level

The DO reviews the CO financial report as well as the cash flow forecast. Potential points to be checked are:

- Are all checks zero?
- What is the financial liquidity of the CO?
- How is the current liabilities situation?
- Is everything clear or is there something unclear/unexpected? E.g. are the travel expenses more or less than expected, given how much the CO staff was travelling in the current quarter?
- If monetary flow to the projects are via the CO: how is the fund situation of the projects? Is there adequate liquidity (please consider balance at CO and at partner level. Partner balance can be checked in project’s financial report)?
- How are the CO expenses compared to the CO budget? Are they within expectations? If not, is it clear why it is higher than budgeted?
- Are the various salary expenses as you expect them to be, keeping the work contracts of the staff in mind?
- Are the forecasted expenses in line with the budget? If not...
- Do you understand why there is a difference?
- Are the forecasted expenses for the year still below the approved annual budget (can be verified in the check of the group reporting)?
-

If the financial report and the cash flow forecast of the CO are okay, the DO shall check whether the annual CO budget will be exceeded when the next transfer (as per cash flow forecast) is paid. It is better to check the CO expenses and remaining budget in the income statement of the group reporting (Annex 2) than checking it on the HQ payment list due to the time lag of the quarterly consolidation process.

If everything is ok, the DO initiates the payment process, which might take another couple of days. The AA shall communicate the payment date, amount and currency to the FO, which in turn shall monitor the payment's arrival in the country.

At CO Level

Upon receipt of the transfer, the FO shall inform the DO and AA that the payment cycle is completed. If there are some delays or considerable foreign exchange rates losses, the FO shall inform the AA and DO in order to try to find a better payment solution.

In general, all transfers sent by the HQ for the CO need to be registered in the "income by HQ transfers" account ("bank / income by HQ transfers"). An exception to this rule is when the HQ receivables are being reimbursed by the HQ (for more information on how to post this, please see [Accounts Receivables – HQ](#)).

As indicated in [HEKS/EPER's Accounting Standards](#) No. 9, the transfers need to be recorded with the gross amount (Gross amount = Transferred amount + Total bank charges + Taxes, if any). The accounting record is "bank / income for HQ transfers". Thereafter, the FO shall record all deductions charged to the transferred amount to the bank charges by posting "bank charges / bank".

If the payment was combined with transfers to other projects, the bank charges shall be allocated to the various projects on a pro-rata basis. For example, there was a combination of three payments: CHF 50 to the CO, CHF 100 to project A and CHF 200 to project B. The total bank charges were CHF 35. The calculation for the CO allocation of the bank charges is: $35 / (50 + 100 + 200) * 50 = \text{CHF } 5$.

2.2.2.1.2 Donations by Other Third Parties – Group Reporting Account No. 1001

If there is a donation from a third party directly to the CO (no payment flow via the HQ) to cover CO expenses, it must be registered in the account "donations by other third party" in the CO income section. In addition the "local donation for project" form (Annex 16) needs to be filled and submitted to the HQ together with the quarterly reporting.

2.2.2.1.3 Other Revenue / FX Gain – Group Reporting Account No. 1002

Should the CO generate any other revenue (e.g. the income from renting out a part of the office, exchange rate and interest gains) from any third party, which cannot be classified as a donation, it needs to be recorded in the "other revenue/FX gain" account. The posting is "bank / other revenue_ FX gain".

As indicated in the [Current Assets](#) in the description of the retirement fund bank account, the interest gained on this bank account needs to be reallocated/transferred to the bank current account of the CO and needs to be registered as other revenue of the CO.

2.2.2.1.4 Income by Projects – Group Reporting Account No. 1003

If the CO or HEKS/EPER directly implements projects, it is possible to invoice the project for the generated CO expenses (e.g. salary costs). This is only possible for self-implementation projects and [Mandates](#). This cannot be done for any other kind of project.

When a self-implementation project is billed for CO expenses, the FO needs to issue a quarterly internal debit note from the CO to the project (Annex 13) and needs to record the invoiced amount in the account as "income from projects". It is not permitted to deduct those billed expenses from the CO expenses, but it needs to be posted at the CO as an income¹¹. The same amount needs to be added on the [Project Expenses](#) in the appropriate expense category (for more information about expense categories, please refer to [CO Expenses](#) and [Project Salary Expense, Project Travel and Rep. Expense, Project Rent Expense and Project Other Operational Expenses](#)). The posting is "project expense account / CO income from project". Once the payment is recorded in the CO and project accounting, the FO needs to initiate a payment from the project bank account to the CO bank account.

¹¹ Should this be problematic as the additional income results in increased taxes, please discuss with the DO and Controlling.

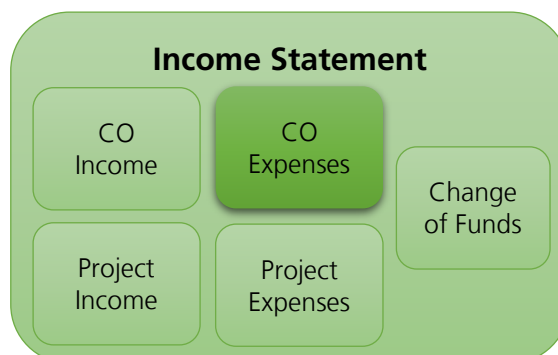
2.2.2.1.5 Extraordinary Income – Group Reporting Account No. 1004

Should a CO generate any unforeseen income that does not fall into any of the above-mentioned income accounts or relates to a past year, it shall be recorded as extraordinary income. An extraordinary income is a gain resulting from an unforeseen and infrequent event. This account should be used rarely as extraordinary items only occur seldom.

2.2.2.2 CO Expenses

The CO expenses are structured in five expense categories, which are:

1. [Salaries and Social Charges](#)
2. [Travel and Representation](#)
3. [Rent and Maintenance of Premises](#)
4. [Other Operating Charges](#)
5. [Depreciation](#)



The Swiss Accounting Standards requires the HQ to divide the total expenses (COs and projects) into the above-mentioned five expense categories. As the financial reports of the COs are consolidated into the HQ books, it is important that they follow the same categories. Evidently, the same chart of accounts also apply to the project budgets and reporting (for more information on this subject, please see the chapter about [Project Expenses](#)). Each category and CO expense account will be explained below in detail.

For instructions on how to initiate payments for expenses or invoices, please see the [Payment](#) chapter and for information about documentation and filing, please see the respective [chapter](#) above.

2.2.2.2.1 Total Salaries and Social Charges

The salaries and social charges category contains all expenses related to CO staff. CO staff are defined as people holding a valid employment contract with HEKS/EPER. If a person provides a service to the CO (e.g. cleaning the premises), but does not have an employment agreement with HEKS/EPER, these expenses need be recorded in the account [Consulting/External Services](#). This expense category contains six expense accounts: [Net Salaries](#), [Social Insurance/Security](#), [Severance/Retirement Fund](#), [Misc. Employee Benefits](#), [Salary-Related Taxes](#) and [Recruitment Charges](#).

It is important that all salaries, social charges, salary taxes, etc. are paid prior to the end of the month. If this is not done, the FO needs to ensure that the correct amounts are accrued (please refer to the [Accrual](#) chapter).

Net Salaries – Group Reporting Account No. 3000

In this account, the net salaries of each CO employee are recorded. The FO needs to ensure that the amounts in this account match with the net salary of the monthly payroll overview, which in turn need to be reconcilable to the employment contract or the annual remuneration change letter. For more information on the latter, please visit the [CO Remuneration Scale](#) chapter.

Prior to the payment of the monthly salaries, the FO and CD need to verify and approve the monthly payroll with their signature. The verification comprises of a check of whether:

- This month's payroll matches the one from the previous month and if not, to understand and document the differences.
- It matches the employment contract / remuneration scale position.
- All payroll-related movements, e.g. the deduction for social charges, private use of vehicles, salary advances, withholding tax, etc., are well documented in the payroll overview.

It is important that the salaries and all related social charges are paid out prior to month end. If the payment did not occur prior to quarter close, the FO must accrue for the salaries (accounting record is "net salary / accrued expenses") in order to comply with the matching principle ([HEKS/EPER's Accounting Standards](#) No. 8).

Social Insurance/Security – Group Reporting Account No. 3001

In this account, the FO records the employer and employee portion of the monthly social charges. The amounts need to conform to the amounts on the salary slips as well as the information of the [remuneration scale](#). Depending on the local requirements, these provisions are either paid to an external party (e.g. government) or are paid to the separate CO bank account (for further information, please see [Bank – Retirement Fund / Social Security](#)). At **quarter end**, the FO needs to ensure that the monthly social charges are fully recorded either via the actual payment or via an accrual.

Severance/Retirement Fund – Group Reporting Account No. 3002

Depending on the local law, a CO might need to pay severance to employees leaving the organisation (for further instructions, please see the [Termination / End of Employment](#) chapter). If so, the FO needs to already provision for this payment during the time that the person is working for HEKS/EPER. For doing so, the FO shall calculate the monthly share of the annual severance (e.g. the annual severance payment is CHF 1,200 spread over 4 quarters => CHF 1,200 / 4 = CHF 300 is the monthly severance burden). Depending on the local requirements, the FO shall:

- Either pay this to the separate bank account ([Bank – Retirement Fund / Social Security](#)), if the provision is to be kept at the CO [posting = “Severance and Retirement Fund expense / Retirement and Separation Fund Provision” and “Bank – Retirement fund / CO Bank account”].
- Or pay the severance charges to an external party on a monthly basis, if so required by local law [posting = “Severance and Retirement Fund expense / CO Bank account”].
- Or if the payment can only be done annually to an external party, the FO shall accrue for this payment on a quarterly basis by posting “Severance and Retirement Fund expense / accrued expenses”. Once the payment is issued, the posting is “accrued expenses / CO bank account”.
- Or a combination of the above.

At **year end**, the FO needs to send an overview table to the HQ with all details of the remuneration and the severance calculation and provision.

Miscellaneous Employee Benefits – Group Reporting Account No. 3003

The FO shall record in this account any miscellaneous employee benefits such as phone grants or travel allowances as fringe benefits, which are not related to a specific field mission. All these benefits must be clearly defined in the [remuneration scale](#). At quarter end, the FO needs to ensure that those charges are fully recorded either via the actual payment or via an accrual.

Salary-Related Taxes – Group Reporting Account No. 3004

All salary-related taxes, whether withheld from the employee’s salary or paid by HEKS/EPER as the employer, shall be recorded in this account. At quarter end, the FO needs to ensure that those charges are fully recorded either via the actual payment to the external party or via an accrual.

Recruitment Charges – Group Reporting Account No. 3005

The FO shall record all recruitment-related expenses in this account.

2.2.2.2.2 Total Travel and Representation

The travel and representation expense category comprises all charges related to the local and international travel by the CO staff as well as the catering for external visitors.

Travel Expenses – Group Reporting Account No. 3100

Depending on the staff regulations (Annex 17), there are two options for reimbursing the employees for travel expenses: per diem or reimbursement of actual costs. For further instructions, please refer to the [Remuneration and Expenses Reimbursement](#) and [Working Advances](#) chapters.

Representation Costs – Group Reporting Account No. 3101

Expenses related to representational or entertainment-related activities with donors and foundations, including receptions or restaurant visits. Any restaurant visits with the DO and partners are reported in the account [Meeting / Seminars / CO Staff Training – Group Reporting Account No. 3301](#). Any visitors from the HQ shall pay for their own expenses.

2.2.2.2.3 Total Rental and Maintenance of Premises

This expense category includes all office-related charges. The costs are differentiated into the [office rental](#), [maintenance and repair of premises](#), [other office-related charges](#), [maintenance and replacement of fixed assets](#) and the [rental of external meeting rooms](#) accounts.

Office Rent – Group Reporting Account No. 3200

In this account, the FO shall record the rent expense. In case the rent is not paid to the landlord on a monthly or quarterly basis, please refer to the matching principle information ([HEKS/EPER's Accounting Standards](#) No. 8) and post it accordingly.

Each CO is required to have a signed and valid rental contract (Annex 18 can be used if the landlord does not provide their own template) with the landlord, clearly indicating the rental fee, the deposit (if any), the rental duration, notice period as well as the renewal procedure. This contract needs to be archived where it can be easily found, but as it is a recurring charge it is not necessary to file a copy of the rent agreement each month as a supporting document.

Maintenance and Repair – Premises – Group Reporting Account No. 3201

This account shall contain all maintenance and repair expenses of the office premises (e.g. repainting an office wall). Should the expense result from maintenance or replacement of an inventory item / fixed assets, please record this in the account [Maintenance and Replacement – Fixed Assets](#).

Other Office-Related Charges – Group Reporting Account No. 3202

The FO shall record in this account all office-related charges that are neither part of the rent nor the premise maintenance account. These charges recur often, such as e.g. electricity, water or the waste fee. Given that they are recurring, it is important to accrue for them even in quarters in which the CO did not receive an invoice in order to adhere to the matching principle ([HEKS/EPER's Accounting Standards](#) No. 8).

Please note that purchases such as coffee or milk shall be posted to the [Office Supplies](#) account.

Maintenance and Replacement – Fixed Assets – Group Reporting Account No. 3203

In this account, all maintenance and replacement expenses for the CO's fixed assets shall be recorded. If you require further information about the definition of fixed assets, please refer to the [Fixed Assets](#) and [Procurement](#) chapters. If there are some purchases/replacements of inventory items that do not classify as a fixed asset, it shall be posted to the [Office Supplies](#) account.

Rental of External Meeting Rooms – Group Reporting Account No. 3204

If a CO needs to rent an external meeting room for training for example, the rental expense shall be recorded in this account. In order to keep the CO costs as low as possible, the CO should always try to conduct meetings within the office rather than renting external premises.

2.2.2.2.4 Total Other Operating Expenses

This expense category is for recording any other operating charges, which are not part of the other categories. It incorporates the following accounts: [fuel, insurance and repair/maintenance of vehicles](#); [meeting/seminars / CO staff training](#); [office supplies](#); [telecommunication, Internet and postal charges](#); [audit and legal expenses](#); [consulting/external services](#); [bank charges](#); [CO taxes](#); [country programme evaluation](#); [exchange rate loss](#), [miscellaneous](#) and [extraordinary expenses](#).

Fuel, Insurance and Repair/Maintenance of Vehicles – Group Reporting Account No. 3300

Any expenses related to a CO vehicle (car, motorcycle etc.), shall be posted to this account. For more information about vehicle management, please refer to the [Vehicle Management](#) chapter.

Meeting / Seminars / CO Staff Training – Group Reporting Account No. 3301

Any meeting or seminar expenses with partners or external people that 1) are not recorded in the capacity building project, 2) are not already recorded under [rent of external meeting rooms](#), and 3) are not part of the project expenses, shall be posted to this account. Please note that any training

costs for the CO staff shall be recorded in this account as these expenses cannot be charged to the capacity building project.

Please consider that when the CO is organising a meeting or training for CO staff, partner organisations or any external people, it is not permitted to grant per diems for the participants if there are no actual travel expenses. If an external participant has to travel a long or difficult route to be able to participate in the meeting/training, it is permitted to reimburse the actual travel costs. Should the participant have a similar journey to the meeting as they normally have to go to work, it is not permitted to pay any per diem.

Office Supplies – Group Reporting Account No. 3302

Any purchase costs of inventory items (e.g. office stationary or coffee), which do not fall into the account [Maintenance and Replacement – Fixed Assets](#) shall be posted to this account. When buying office supplies, please check whether there is the possibility of purchasing larger quantities and thereby receive a discount. Please see the [Procurement](#) chapter for further instructions.

Telecommunication, Internet and Postal Charges – Group Reporting Account No. 3303

Any actual expenses relating to phone, Internet or postal messages need to be recorded in this account. Should each employee receive a monthly phone allowance, it shall be posted as a miscellaneous employee benefit (please see respective [chapter](#)).

In order to minimise the CO expenses, the FO and CD shall check which employees actually require a mobile phone allowance or whether access to a landline is sufficient and more reasonable.

Audit and Legal Expenses – Group Reporting Account No. 3304

In this account, the FO shall post all legal expenses (e.g. court fees or payments to a lawyer). The FO shall discuss with the CD and DO whether it makes sense to have the continuous service of a lawyer (with a monthly fee) or whether a lawyer on an ad-hoc basis is sufficient.

In addition, this account shall be used when recording the audit expenses for the CO. All project-related audit fees shall be allocated to the respective project, even if paid directly by the CO¹². Should an audit invoice not be paid during the audit year, it needs to be accrued. For further information, please read [HEKS/EPER's Documentation and Filing Standards](#) No. 8.

Consulting/External Services – Group Reporting Account No. 3305

Any consulting fees (which are not pertaining to a specific project) as well as any external services (e.g. cleaning of the office, if the cleaner does not have an employment contract with the CO) shall be posted to this account.

Bank Charges – Group Reporting Account No. 3306

Any CO-related bank charges shall be posted to this account. If project-related, please post it as a project expense. For detailed instruction how to post bank charges, please read the payment process description in the [Income from HQ Transfers](#) chapter.

The FO shall determine on a regular basis whether there is another bank with a similar service but lower bank charges in order to minimise the CO expenses. Please also see the [Bank](#) chapter.

Please note that exchange rate losses need to be recorded in the [FX Loss](#) account.

CO Taxes – Group Reporting Account No. 3307

Any CO taxes that are not related to the staff's salaries shall be recorded in this account.

Country Programme Evaluation – Group Reporting Account No. 3308

If there are any evaluation expenses for the country programme, it shall be posted to this account. For further instructions on when a country programme requires an evaluation and how this is done, please see the respective PCM guideline.

¹² Should the HQ or the CO pay directly for the project audit, please make sure to adjust the project's cash flow forecast to ensure that the audit expense is not also being transferred to the partner.

FX-Loss – Group Reporting Account No. 3309

If some of the CO funds are being kept in a different currency than the reporting currency, the FO needs to reevaluate those funds on a quarterly basis. For doing so, the accounting software needs to be able to work with different currencies, so that the FO can enter the transactions in the same currencies that they are actually used. At quarter end, the FO adjusts the FX rate in the accounting software to the one of the national bank of the day of quarter close. This will change the calculation of all income and expense transactions in the coming quarter from one currency to the reporting currency. In order to correct the balances of the petty cash, the safe (if any) and the bank, the FO needs to calculate the balance in the transaction currency to the reporting currency using the FX rate of the quarter close. This needs to be the new balance in the reporting currency in the accounting. Any differences need to be corrected by posting it to FX gain or FX loss in the income statement.

An example of the bank balance:

On 10 June, the CO receives CHF 1,000 in its CHF bank account. As the bookkeeping is in USD, the FO needs to record the CHF amount in USD in their accounting. For doing so, the national bank's current exchange rate of the day of receipt is taken. In the example, the exchange rate of 10 Jun is 1.05. Accordingly, the FO records the CHF 1000 as USD 1,050 ($\text{CHF } 1,000 \times 1.05$) in their books.

At Q2 close, the FO updates the FX rate in the accounting software to the one of the quarter close, which is 0.95. The new calculated USD bank balance of the CHF 1,000 should accordingly be USD 950 ($\text{CHF } 1,000 \times 0.95$). But in the accounting software, it is still entered as USD 1,050. Accordingly, the FO needs to decrease the bank balance by USD 100 / CHF 0 by posting "FX loss / bank" with USD 100 and CHF 0.

The same needs to be done with petty cash and the safe balances, if there are transactions in other currencies.

As the FX corrections are posted to the income statement, the funds and change of funds will also be adjusted. For further information, please refer to the [Funds](#) chapter.

The above process also applies when there is an actual exchange from one currency to another, e.g. when the CO transfers CHF 1000 to its USD bank account and the CHF are being converted into USD. In this case, the FO shall use the real FX rate that was used for the money exchange and post the required correction accordingly.

Please note that only FX losses/gains of the CO shall be posted to the CO FX gain / FX loss accounts. If the exchange rate adjustment relates to a project, please record it in the project itself. The partner's FX gains shall be reported in the partner reporting template as other income. Please note that it is only permitted to exchange money at a bank or an official, registered exchange office. Any black market transactions are prohibited.

Miscellaneous – Group Reporting Account No. 3310

Any expenses which occur during the year and do not fall into any other account, shall be posted as miscellaneous expenses. When doing so, the FO needs to make sure that it is clearly labelled in the transaction description what this expense is. This account shall only be used in exceptional cases as the majority of the CO expenses should be classifiable into the other accounts.

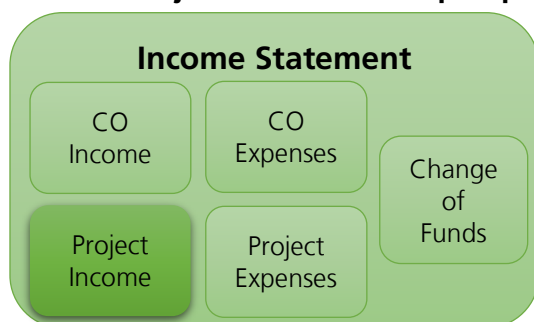
Extraordinary Expenses – Group Reporting Account No. 3311

Should a CO have any expenses, resulting from an unforeseen and infrequent event or from a past year, it can be posted as an extraordinary expense. This account should only be used in rare cases.

2.2.2.2.5 Total Depreciation – Group Reporting Account No.3400 – 3402

As discussed in the [Fixed Assets](#) and Accumulated Depreciation chapters, HEKS/EPER has three different asset categories that are depreciated separately in the accounts: depreciation – vehicle, depreciation – IT and Telecom, and depreciation – other. For further information, please see to the above mentioned chapters.

2.2.2.3 Project Income – Group Reporting Account No. 2000 – 2999



Depending on the set-up of the CO, the HQ either transfers all project-related payments to the CO or directly to the partner organisations. In the former case, the FO needs to open a project income – , project expense – as well as project fund – and change of fund accounts in order to show all project-related financial activities separate from the ones of the CO. The respective account structure can be found in Annex 14 or the group reporting (Annex 2).

There are two different project income possibilities: [HQ transfers](#) or [other revenue from third parties](#).

2.2.2.3.1 Project Income from HQ Transfers

The process for project income from HQ transfers to the partner is similar to the one for [CO income from HQ transfers](#). Please read the respective chapter.

The differences are that the partner first sends the financial and narrative report to the CO for an initial check. In order to ensure a smooth and timely process, the FO shall proactively remind partners prior to the submission deadline that the reports will be due soon¹³. If not submitted in time, the FO and PO shall send reminders to the partner and inquire the reason for the delay. Should a partner not be able to create the reports itself, the FO can visit them and create the financial reports together with them. Likewise, for the PO and the narrative reports.

Upon submission, the PO, FO and CD review both reports together in order to examine whether the information in both reports match¹⁴. The FO carries on with additional financial checks such as:

- Is it reported in the standard HEKS/EPER reporting template?
- Is the balance from the previous project/year/quarter reported correctly?
- Is the balance reconcilable to the bank statement?
- Is the income reported and does it match with the payment receipts of the partner?
- Were the activities implemented as planned in the budget and log frame? If not, is it explained in the narrative report why this is not the case?
- Are the salary expenses, social charges and withholding taxes, if any, in line with the budget? If not, were these differences approved by the DO prior to the salary increase?
- Do the implementation ratios and all sums (activities, outcomes, overall projects, etc.) make sense (mathematically)?
- How are the expenses compared to the budget?
- Did the partner explain discrepancies of +/- 10% to the budget? This is particularly important for the year-end report.
- Whether all expenses are clear and correct – also taking the knowledge from the regular partner monitoring visits by the FO and PO into consideration¹⁵?
- Whether there is no depreciation charged to the project.
- Was the cash flow forecast updated with the partner's monetary needs for the next reporting period?
- Does the cash flow forecast make sense – taking the knowledge from the regular partner monitoring visits by the FO and PO into consideration¹⁶?
- Is the cash flow forecast still within the annually approved budget total?
- Is the time tracking as well as the vehicles logbook tab filled?
-

¹³ For further information, please refer to the [CO Quarter / Year Reporting Process](#) chapter and the partner agreement for the reporting deadlines.

¹⁴ For example, if there was an activity budgeted for the reporting period but there are no expenses in the financial reporting, it should be explained in the narrative report why this activity did not take place and when it will be implemented instead.

¹⁵ For more information on this, please refer to the [Partner Organisations chapter](#).

¹⁶ For more information on this, please refer to the [Partner Chapter chapter](#).

If there are missing or incorrect items, the CO sends the financial report back to the partner for correction. This procedure is repeated until the reports are correct but the deadline for submitting the correct reports to the HQ are at the latest four weeks after the month/quarter/semi-annual/year close, depending on the project type and reporting schedule agreement between HEKS/EPER and the partner organisation.

After the DO’s written approval of the narrative and financial report (meaning that everything is correct and clear), the payments from HQ to CO and from CO to the partner can be initiated¹⁷. When the payments are received by the CO, the FO shall record the gross payment amount (Gross amount = Transferred amount + Total bank charges + Taxes, if any) in the CO books as “bank / project income from HQ transfers”. Any charges/deductions shall thereafter be recorded as “project bank charges / bank”. For further information about the transfers from the CO to the partner, please refer to the [Transfers to Project Partner chapter](#).

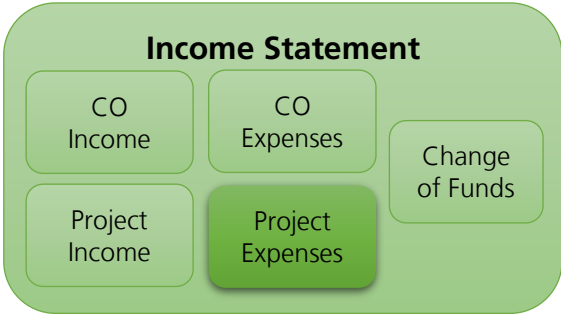
2.2.2.3.2 Project Income from Other 3rd Parties

If there is a donation or honorarium from a third party (meaning that this organisation is not HEKS/EPER) paid to the CO to cover the project expenses, it must be registered in the account “project income from other third party” in the project income section. If the payment flow is directly from the donor to the CO and does not flow via HQ, the CO needs to fill in the “local donation for project” form (Annex 16) and submit it to the HQ together with the quarterly reporting. If the project donation is paid directly to the partner, it just needs to be entered into the partner’s financial report.

In addition, this account comprises all other project income and revenue such as interest or exchange rate gains or revenue from selling project assets. Such income is considered as part of the financing of the project and must be spent on the project.

2.2.2.4 Project Expenses

There are six different project expense accounts in the CO books: [transfer to project partner](#), [project salary and social charges expense](#), [project travel and representation expense](#), [project rental and maintenance of premises expense](#), [project other operational expenses](#) and [project depreciation expense](#). There is one additional account in the group reporting called [remaining funds at partner](#), which is for information purposes for the DO.



2.2.2.4.1 Transfers to Project Partner

In this account, the FO records all transfers from the CO to the partner. For further detailed instruction about the partner transfers, please refer to the [Project Income from HQ Transfers](#) chapter indicated in the above mentioned chapter. Upon the DO’s written approval of the narrative and financial report, the payments will be initiated¹⁸. Depending on the reliability of the partner, the CO manages the partner transfers differently by either opting for bi-weekly, monthly, quarterly or in some cases even semi-annually transfers. The weaker the partner, the shorter the monitoring visits and transferring schedule¹⁹. The payment schedule can be agreed between the CD and DO.

Once the payment from the CO to the partner is initiated, the FO shall record “project-specific transfer to partner / bank” and then inform the partner about the transfer amount and date. The partner must confirm its receipt by sending a copy of the bank statement as well as a signed payment receipt (see Annex 19 as an example). Should a payment not arrive within a reasonable time, the FO shall start an early investigation with the bank.

¹⁷ If the payment from HQ to CO take a long time, the transfers from the HQ to the CO can take place prior to the approval of the reports in order to avoid any further delays. However, the CO to partner payment can only be initiated after the approval.
¹⁸ No transfers shall be initiated if there are any pending issues such as any suspicion of corruption.
¹⁹ The transfers from the HQ to the CO will, however, remain bi-annual or be based on the reporting period schedule.

2.2.2.4.2 Remaining Funds at Partner

This is a new account in the HQ group reporting, indicating the remaining funds with the partner. This enables the CO and DO to know exactly what funds are remaining for each project at each quarter end by summing up the project funds at the CO and the unutilised funds with the partner.

In order to complete this information, the FO contacts all partners at quarter end and asks them to send the remaining fund balance in writing. If the partner has not finalised their quarter close report yet, an approximation of the partner's remaining funds²⁰ shall be reported to the HQ.

HEKS/EPER aims to keep the remaining funds at the partner organisations at the year end as low as possible.

The partner balance needs to be managed well towards the end of the project to avoid any problems at the end of the partnership. If a partner has sufficient equity or liquidity, it is recommended to specify as early as in the partner agreement at the beginning of the project that the last payment (for example 5% of the annual project volume or CHF 20,000) will only be transferred to the partner organisation upon approval of the final narrative and financial reports.

2.2.2.4.3 Project Salary Expenses, Project Travel and Rep. Expenses, Project Rent Expenses and Project Other Operational Expenses

All project expense accounts in the CO books are only used in two cases: 1) in direct implementation projects, where CO expenses are allocated to projects (please read [Income from Projects](#) chapter) and 2) for project costs that were directly paid by the CO. If the partner pays for the project expenses by itself, those expenses need to be reported in the project financial report.

Two examples of direct CO payments for project expenses:

1. The CO has contracted one auditor across all projects and accordingly the CO makes one payment to the auditor for the CO and all project audits. This payment is allocated to the projects, based on a specific key (e.g. annual project volume).
2. If a CO has a self-implementation project and mandates, it is possible to generate [CO income by invoicing the project](#) for the costs of the services delivered by the CO. It is crucial that the FO ensures that such expenses are recorded in the correct expense category, which follow the same logic as the CO expense categories (for more information, please refer to the [CO Expenses](#) chapter). In this example, the CD works for the project 20% of their working time and accordingly 20% of the CD's salary expenses are allocated to the account by posting "project salary expense / CO income from project".

It is possible that some project-related expenses are directly paid by the HQ and the payment does not flow through the CO. In this case, the HQ will charge it to the respective project number at the HQ. Even though these expenses are not all shown in the local accounting, it will be charged against the CO budget or the respective project budget. As the last step of the quarterly CO reporting process, the HQ will inform the FO and CD whether the CO or any other project was charged with a direct expense and if so, with which amount.

Even though the expenses are not paid by the partner but by the CO or the HQ, they still need to be budgeted for in the [project budget](#). Such direct expenses need to be handled with care when the project's [cash flow forecast](#) is created by the partner and checked by the CO to ensure that the funds are being transferred to the paying party.

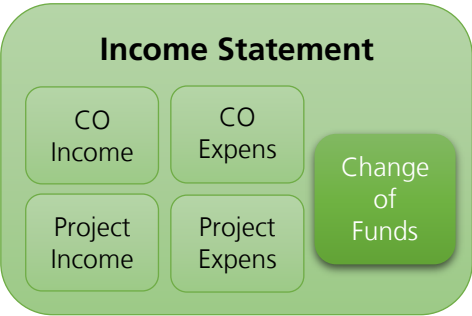
2.2.2.4.4 Project Depreciation Expense

In case there are some assets purchased in a project which are fully financed by HEKS/EPER, those assets remain the property of HEKS/EPER and need to be listed in the CO's "inventory list for projects" (please see "Annex 2 – Group Reporting") in order to ensure that this property is not forgotten in case of staff turnover for example. The project assets, however, are not activated in the CO balance sheet as it is not a CO asset. The accounting record in the CO books is "project depreciation expense / bank" with the purchase price.

²⁰ The approximation can for example be based on the bank statement.

Upon project end, the DO and HoD shall determine whether the asset shall be reallocated to another project or shall be sold or donated to the partner or any other party.

According to the above process, it is not possible that the partner organisation charges HEKS/EPER for depreciation expenses. The only exception to the above is when HEKS/EPER and the partner agree that the partner uses their own assets (which have not been financed by HEKS/EPER) in the project. In this case, the partner is permitted to charge HEKS/EPER for a reasonable depreciation amount, following the CO depreciation rules. It is important that this special arrangement is well-documented in the partner agreement (Annex 21) and the project budget (Annex 3 or 4).

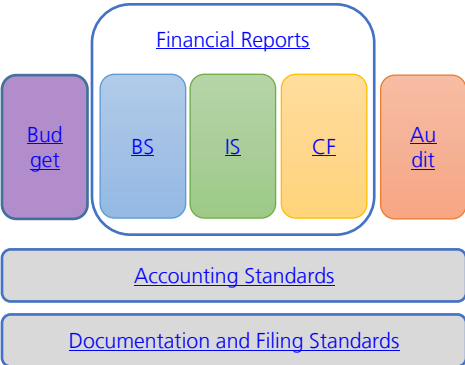


2.2.2.5 Change of Funds

Due to the consolidation at the HQ, any profit in the CO's income statement needs to be equalised by a respective change of funds account. The CO and each project have their own respective change of funds account. For further instructions about this subject, please refer to the [Funds](#) chapter and Annex 15.

2.2.3 Cash Flow Forecast

As indicated in the [Income from HQ Transfers](#) chapter, the cash flow forecast shows the financial needs of the partner and the needs of the CO for the upcoming reporting period. Contrary to the other financial reports such as the balance sheet and the income statement, it does not address the past but the future periods. The main purpose is to manage the transfers to partners and CO in order to avoid having large cash balances at the CO and the partner organisations. This is particularly important at year end as HEKS/EPER aims to have as low cash balances at the partner organisations as possible on 31 Dec.



A cash flow forecast is a mandatory report to be submitted with any CO and project financial report and for this reason, it is part of the CO's and project's standard reporting template. The basis of the liquidity planning is the approved annual budget, which is filled automatically. These figures are adjusted to the monetary needs of the organisation. So, while the budget is fixed and cannot be changed during a project phase for partners, and during a year for CO's (unless there is a budget increase approved via the HQ Project Approval Process (please refer to the PCM Manual), the cash flow forecast can be amended as per below instructions.

Three things are important:

1. Amend the cash flow forecast according to where the money should be transferred to. The cash flow forecast of the project reporting template indicates the funds that shall be transferred to the partner's bank account. In case that part of the project's funds shall not be transferred to the partner because part of the project's expenses are being directly paid by the CO or the HQ, the amounts of those budget lines need to be set to zero in the partner's cash flow forecast.
2. Only cash-relevant budget lines shall be part of the cash flow forecast. This means that for example no depreciation shall be part of any liquidity planning report as this does not cause any cash transaction. The only exception to this rule is when a partner organisation uses an asset in the project, which was not financed by HEKS/EPER, and is therefore entitled to charge HEKS/EPER for the asset's depreciation.

3. Expenses must be entered on the cash flow forecast when the cash is expected to actually leave the bank. The electricity invoice for January, for example, might only be paid in February or March. Accordingly, it needs to be entered in February or March and not in January. Also, keep in mind whether you have to make any advance payments for procurements or any kind of prepayments (e.g. for rent).

2.2.3.1 Partner

Prior to submitting the reporting package, the partner shall amend the amounts until the end of the next reporting period in the cash flow forecast according to its actual needs. Depending on the project contract, the reporting periods are one month, a quarter or six months. As long as the cash flow forecast amounts are not changed, the forecast shows the initially approved budget – spread evenly over all months of a quarter.

As the narrative and financial reports need to be reviewed and approved before any payment can be issued (please refer to [CO Income from HQ transfers](#) and [Project Income from HQ transfers](#) chapters), it is important to take into consideration that the payment will not take place immediately at the end of the reporting period. For this reason, the partner can request a financial buffer of up to 15% in the cash flow forecast. It is up to the discretion of the HQ to grant this buffer or not. It is important to manage the cash flow and the buffers well, particularly towards the end of the project.

Each budget line (income and expense accounts) can be increased, left the same, or decreased by the partner according to actual needs as long as those budget reallocations remain within the same budget class. A budget class can be identified in the project budget and in the cash flow forecast by a number X.X. For example all of the project staff are one budget class with the number 2.1, while the outcome 1 is the budget class 2.2. Accordingly, it is permitted to move the budget from one budget line to another within the budget class 2.2, called “outcome 1”. However, it is not allowed to reallocate budget from the budget class 2.2 (outcome 1) to the budget class 2.3 (outcome 2). One exception to this budget reallocation process is any salary budget lines (admin and project staff) for which any amendments require written approval by the CD and DO.

Doing so, it is possible to move the budgeted activities to earlier or later quarters. These changes of project costs and changes of the timing of the activities need to be explained in the narrative report as well. Once all amendments are made, the partner shall review whether their total forecasted liquidity for the whole year is still within the total approved annual budget. If not, it needs to be discussed with the CO and DO whether (1) there are any unutilised budgets from the previous year of the same project phase which can be allocated to the current year, or whether (2) the project phase budget needs to be increased by following the HQ Project Approval Process (please refer to the PCM Manual) or whether (3) there is a possibility to amend the project’s liquidity planning by, for example, acquiring other non-HEKS/EPER contributions in order to make it match with the annual budget²¹.

From this forecasted income and expenses for the next reporting period, the requested amount for the next transfer will be calculated automatically as follows: Total forecasted expenses – Total forecasted income (which does not originate from HEKS/EPER transfers) – Leftover from previous quarter/project phase + 15% buffer, if applicable.

After the approval of the financial and narrative reports as well as the cash flow forecast by the partner’s accountant and managing director, the whole reporting package shall be sent to the FO and CD for review and approval. For further instructions to this subject, please review the chapter [Project Income from HQ transfers](#).

2.2.3.2 CO

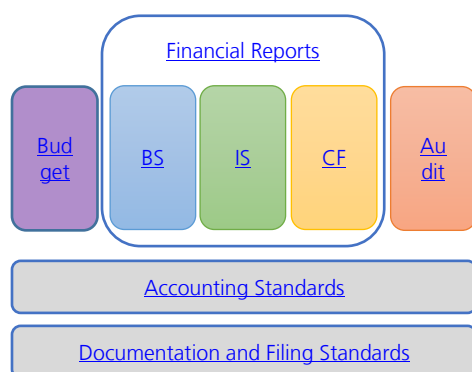
The process for the CO is similar to the one for the partner. The differences are the following:

- In order to ensure a sufficient liquidity, the CO will receive a float of one quarter’s CO budget.

²¹ For example, is it possible to raise the income from third parties by increasing the financial involvement of local authorities?

- The reallocations can be done within the same cost categories, these being: (1) salary and social charges, travel and representation, rent and maintenance, other operating charges and depreciation.
- The FO amends the cash flow forecast in the group reporting (Annex 2) and has it approved by the CD together with the whole reporting package prior to submission to the HQ.
- The requested transfer amount is calculated: Total forecasted expenses – Total forecasted income – Leftover from previous quarter + Float of an additional quarter. The leftover from the previous quarter is calculated as: Petty cash + CO bank + AR + Prepaid expenses – AP – Accruals.
- Should there be any investments to be made in the upcoming reporting period, the FO shall insert the investment amount in the appropriate section of the cash flow template. Upon HQ payment, the investment will initially show in the HQ payment list as an expense. After the assets activation in the CO balance sheet (please refer to [Fixed Assets](#) chapter for more information) and the respective HQ consolidation at quarter end, the CO expenses will only be charged for the investment's quarterly depreciation.

2.3 Budget



A budget is the best estimate of the amount of money that an organisation plans to spend for a set purpose over a certain period of time. It results from the activities of the CO or project (log frame for projects) and for this reason, the budgeting is a process which shall be done together by financial and programme staff.

As a budget is only an estimation, it cannot be concluded that the CO or the partner will receive the budgeted amount. There is no obligation by HEKS/EPER to grant the full budget. Partner organisations can charge HEKS/EPER their actual costs only.

There are three types of budgets at HEKS/EPER, which have different templates²² and different procedures: CO and project budgets (one for HA and one for DC/CC). However, there are some similarities, these being:

1. Once the budgets are approved they are fixed and cannot be changed unless the HQ Project Approval Process is followed.
2. Both budget types need to be created according to the calendar year (1 Jan – 31 Dec)²³.
3. The budgets are generated in the local and reporting currency.
4. The partner and CO shall do their utmost to budget as realistically as possible (in terms of prices, quantities and whether the expense is likely or not).

2.3.1 CO

The CO budget is to be submitted to the HQ each year in August and contrary to project budgets, it is only created for one year²⁴. As budgeting is a complex and time-intense process, it is important that it is always started early. In this case, the recommendation is to start the budgeting process in early July.

As a preparation for the budgeting, the FO enters the consolidated past year's expenses into the CO budget template. In addition, the FO and CD create a list of any activities, travel, meetings, investments, staff/salary changes²⁵, etc. for the upcoming year that impact the CO's financial needs.

²² Please refer to Annex 3, Annex 4 and Annex 20.

²³ If, for example, a project starts on 1 July, the budget for the first year is from 1 July to 31 Dec.

²⁴ 1 Jan– 31 Dec.

²⁵ Please review the [HR chapter](#) for this – particularly the section about [Remuneration Scale](#).

These two information sets are used to create an initial budget draft in the CO budget template (Annex 20). The template follows HEKS/EPER's standard chart of accounts (for more information, please refer to the [Financial Reports](#) chapter), but for each account it is possible to create up to 10 different sub-accounts. This is to ensure that an appropriate level of detail can be provided for the CO budget, so that each line is clear even to people who were not present during the budgeting process. When creating sub-accounts, it is important that:

- The sub-accounts follow the logic of the standard chart of accounts. Each standard budget line is explained in the CO budget template and the sub-accounts shall fit into the definition of their respective standard account. For example, it does not make sense to budget the sub-account "international travel" under "representation expenses"; this should be budgeted for under the "travel expenses" standard account.
- The sub-account descriptions are clear and meaningful (e.g. do not write "others" as a sub-account description).
- A reasonable amount of sub-accounts is created. It does not make sense to create a sub-account for less than CHF 100, but it is difficult if there is just one bulk amount with no explanation as to how this amount was calculated.

It is important to also budget for expenses that are paid directly by the HQ on behalf of the CO. If there are some expats (working in the CO, but being paid by the HQ), their expenses need to be entered into the CO budget as well. Another example could be audit expenses. This can either be done by the CO or at the HQ by the DO.

Once completed, the FO shall verify that all relevant costs are budgeted in the correct time periods. This work is the basis for the later [Cash Flow Forecast](#), described in the previous chapter. Questions to be raised are, for example, when does the CO have to pay for this expense? Depreciation, for example, of CO assets shall be done on a quarterly basis and this needs to be budgeted accordingly. Another example are audit expenses. Usually, there is a prepayment that needs to be made before the auditors start their work (approximate time of payment is November – January) and the remainder is due upon completion of the final audit report (approximately in June – August). This timing needs to be mirrored in the CO budget.

Once the FO and the CD are content with the CO budget, they shall send it to the DO and the DO needs to make sure that they fully understand what has been budgeted in which line and also that they agree with this. After this, the DO will send the CO budget to the HoD for approval. After the HoD's approval, the DO will send the final CO budget (Excel and signed PDF) to the FO and CD, copied to Controlling, who will in turn amend the HQ payment list accordingly.

If there are any CO budget increases required during the year, it needs to be entered in the respective budget increase section in the same template. The approval follows the instructions for the above process. However, the initially approved CO budget needs to remain unchanged.

2.3.2 Partner

When budgeting for projects, the partner shall estimate the budget required to implement the project activities as defined in the project log frame (please refer to the PCM Manual). This includes all costs that are directly related to the project (planning, project staff, activities implementation, monitoring, etc.), but also indirect costs such as admin staff, office rent, etc. This cost estimation shall be entered in the reporting currency into the annual budget tabs of the project budget and reporting template (Annex 3) for HA projects and Annex 4 for DC and CC projects. Potential inflation shall be considered by budgeting an annual inflation rate of the 3 years average inflation rate of the national bank.

In addition, the partner shall enter any project income, for example funds raised by the partner's own contributions or any other third party donating to this project²⁶. The project budgets are to be filled per calendar year (1 Jan– 31 Dec).

²⁶ When doing so, it is essential to read the instructions on the top section in the project budget and reporting template.

There are two different sections in the project budget: an administrative expense section (marked in orange in the template) and an operational cost section (marked in blue). The admin expenses are defined as costs which contribute indirectly to the achievement of the project's objectives and ensure the basic functioning of the partner organisation (such as general management, finance staff, office rent, etc.). The main differentiation between operational and administrative costs is that if all project activities were terminated immediately, the operational costs would disappear while the administrative costs for the basic set-up of the organisation would still remain. As a general rule the admin expenses should be kept as low as possible and the ratio between the total budget and the administrative costs should not exceed 20%. A healthy ratio lies between 10 and 15%.

The administrative budget lines mostly follow the HEKS/EPER standard chart of accounts (please refer to the [Financial Reports](#) chapter for further details), but there are some additional lines to budget for items that do not fit the standard account structure.

It must be clearly shown how the general costs, which are shared with other projects (such as e.g. the salary of the accountant or the office rent) was allocated to the HEKS/EPER project by adding a percentage in the budget line description. This percentage needs to be the percentage allocation of the actual expense of the respective budget item. The operational budget lines should be set up according to the project outcome, outputs and activities of the log frame (please refer to the PCM Manual).

Once the partner organisation has completed all project proposal documents and the project budget, it shall send them to the CO (to the CD, FO and PO). The CO team reviews all documents together to verify that the information in the various documents match one another²⁷. After doing so, the FO makes additional checks such as:

- Are evaluations budgeted as per PCM Manual instructions?
- Is an annual audit budgeted if the annual project value is > CHF 100,000?
- Are the salaries stable over the project years or do they change?
- Are cost estimations reasonable?
- If the project purchases an investment asset (e.g. car):
 - There should be no depreciation budgeted, unless the asset is owned by the partner and was not financed by HEKS/EPER. Is this rule followed?
- Are the calculations correct (check excel formulas)?
- Are there no CO expenses budgeted in the project budget?²⁸
- If the CO has various projects with the same partner and the same administrative or project staff is employed in several projects, it is important to check to ensure the sum of the salary expense budget per person of the two projects is not more than 100%.
- Does the partner have other donors, which also financially contribute to the partner's general costs? If so, with which key are the general costs allocated to the various donors/projects?

If corrections are needed, the CO sends the project documents back to the partner to be reworked. Once everything is okay, the CO sends all documents to the DO for review and to start the HQ approval process²⁹. Since the HQ approval process is rather lengthy with fixed dates that cannot be changed, the CO shall do its utmost to manage the partner to have all documents ready on time.

Once approved, the project budget cannot be changed throughout the project phase unless changed with the PAP Process and back-donor approval (if any). But as budgets are always estimates, the cash needs of the partner will not entirely match with the project budget.

²⁷ If there is an activity mentioned in the project proposal for a specific outcome, it needs to be entered in the budget as well, and vice versa.

²⁸ As a general rule, all CO costs shall remain in the CO books, even if, for example, the travel was related to a specific project, the expenses shall be entered in the CO reporting. The reason is that the main portion of the CO work is related to projects. Exceptions are self-implementation projects and [Mandates](#). This process is explained in the [CO Income from Projects chapter](#).

²⁹ For further information about the HQ approval process, please review the PAP guidelines (please refer to the PCM Manual).

For this reason, the partner can adjust their initially approved budget in his cash flow forecast, which is a mandatory part of the reporting to HEKS/EPER. For further details, please refer to the [Cash Flow Forecast chapter](#). Should there be need to actually increase the budget or to add new activities, it needs to be entered in the appropriate section of the project budget and reporting template (Annex 3 or 4). This shall be sent together with the other required documents to the DO in order to start the approval process as described in the Project Approval Process (please refer to the PCM Manual).

2.4 Quarter/Year Reporting Process

There are different processes for the quarter and year close. Even though the CO reporting is only on a quarterly basis, the accounting needs to be updated at all times. The same process is highly recommended for partner organisations and can be applied to them as well, even if this chapter is addressed towards the CO.

The deadlines of the CO reporting are:

Quarter 1	Quarter 2	Quarter 3	Quarter 4
April 15	July 15	October 15	January 15

In general, the earlier the CO submits its financial reports to the HQ, the better. Should these dates be on a weekend, the last business day prior to this weekend shall be the day of the reporting deadline.

After the HQ’s confirmation of the quarterly consolidation, the CO is not permitted to make any changes in the local accounting nor in the HQ group reporting in the consolidated periods. Should an auditor request any corrections, these adjustments can only be done in the books of the new reporting year.

The reporting time line of the partner organisation is stipulated in the partner agreement (Annex 21). The standard rhythm for financial reporting is as follows:

Type	Reporting rhythm
HA projects	Monthly
CC and DC projects with a project volume of < CHF 100,000	Semi-annually
CC and DC projects with a project volume of ≥ CHF 100,000	Quarterly

The above standard is the minimum rhythm. The DO and CO can adapt the above for specific projects and partners, meaning that they request the financial reports in greater frequencies as the HEKS/EPER standard.

Regarding the reporting rhythm of the narrative reports, please refer to the PCM Manual.

2.4.1 Quarter and Year Close

As indicated in the [HEKS/EPER’s Accounting Standards](#) No. 6, the FO shall make all postings on a daily basis to enable financially sound decisions to be taken at all times. At quarter end, the FO shall ensure that all instructions in the end of the respective chapters for the quarter (and year close) are fulfilled.

Once the local accounting books are correct, the FO shall transfer it into the group reporting (Annex 2). If one or several checks in the HQ group reporting are not “0”, this means that there is either a mistake in the HQ group reporting or in the local accounting books. These mistakes need to be corrected prior to the reporting being submitted to the HQ.

Once the information in the reporting is correct, the FO shall:

1. Review the income statement to see whether the actual CO expenses deviate more than 10% from the budget. If so, the FO shall explain this deviation in the comments column.
2. Update the cash flow forecast for the next quarter.

3. Check whether the HR data, the insurance information and the inventory list are still up-to-date.

If applicable, the FO shall prepare a monthly petty cash and safe reconciliation as well as a reconciliation of the prepaid credit card or debit card of the CO. Those reports need to be signed according to the CO's material and financial responsibilities form.

After completion, all of the following documents shall be approved and signed by the CD and then submitted to the DO, copied to Controlling:

- HQ Group Reporting.
- Bank statements for all three months.
- Filled in third party donation form, if applicable (please see [Income from Donation by third parties chapter](#)).
- At year end, an overview table with all details of the remuneration and the severance calculation and provision.

The DO will check the CO's financial report / documents and verify whether everything is clear to them as well as whether the expenses, income and partner transfers are in line with their knowledge and information. Once all is okay, the DO gives their written approval for consolidation to the CO and Controlling.

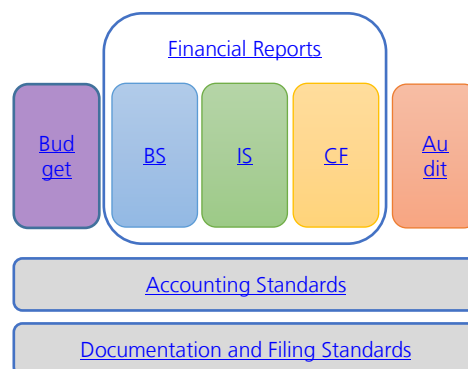
Upon consolidation, the Controlling team will send the CO's group reporting back to the CO with some added information in regards to the expenses that were paid directly by the HQ on behalf of the CO or project respectively. The direct payments will be allocated against the respective CO or project budget as indicated in the [Project Salary Expense, Project Travel and Rep. Expense, Project Rent Expense and Project Other Operational Expenses chapter](#).

Upon the HQ's consolidation of the year close report, the FO shall prepare their accounting software for the next year by setting all [income statement](#) accounts to zero and preparing the group reporting as indicated in the instruction tab.

2.5 Audit

2.5.1 Introduction

Audits are performed to ascertain the validity and reliability of information and the conformity with the local law as well as to provide an assessment of a system's internal control and recommendations for improvement of systems and processes. Due to practical constraints, an audit seeks to provide only reasonable assurance that the statements are free from material error. It simply provides assurance for third parties or external users that such statements "fairly" represent an organisation's financial condition and operating results.



In financial accounting, an audit is an independent assessment of the true and fair value by which a partner's financial statements are presented by its management. It is performed by a competent, independent and objective person, known as an auditor or chartered accountant, who then issues an auditor's report and a management letter on the results of the audit.

The auditor needs to be changed every five years in order to avoid routine in the auditor's work. An auditor or chartered accountant must be recognised and registered as such by the local authorities and work according to international standards. In addition, the auditor must be acknowledged by the country office of the SDC by a written confirmation. If there is no SDC office in the country, the HoC must be informed. When selecting auditors, the rules of Material and Financial Responsibilities of the CO (Annex 6) as well as the further instructions in the [Procurement chapter](#) must be followed. It is recommended that only one audit firm is chosen per country (meaning for CO and all projects) – unless this is not feasible geographically.

The CO shall send a selection table with at least three offers to the DO and HoC for approval. The selection table shall summarise the offers' information about the most relevant selection criteria and contain the CO's recommendation on which auditor it would like to choose with the respective reasons. Upon approval, the CO needs to sign a contract with the selected auditor.

The TORs (Annex 50) must be an integral part of the contract. An example of an audit contract can be found in Annex 51.

New auditors need to be sought at the beginning of August for the current year. The audit shall be conducted between January to March and the audit needs to follow the calendar year (meaning Jan 1 – Dec 31) for the CO and projects. If it is required by law that an audit must take place at different dates or for a different period, it needs to be discussed with the HoC. The audit draft needs to be sent to HQ in mid-March. The final audit report with management letter must be ready by the end of April.

Wherever possible and when there are other project donors in addition to HEKS/EPER, an institutional audit should be performed. This has the advantage that double financing – especially on administration and overheads – can be verified more effectively. If a partner organisation agrees to conduct an institutional audit, the partner and the CO shall reach out to the other donors in order to check whether it is possible to share the audit costs. However, it is not possible to force the partner organisations to conduct institutional audits as they are independent legal entities. Part of the institutional audit is that the auditor generates a table that shows clearly which income and costs are allocated to which project.

In case of suspicion, a forensic audit can be ordered with specific questions to be checked by the auditor.

2.5.2 Annual External Audits

CO

The CD must commission an annual external auditor for the annual audit (following the calendar year - Jan 1 – Dec 31) of the CO.

An audit must contain the following documents:

- Auditor's legal letter (report which confirms the standards by which an audit was prepared as well as the opinion on the audited work).
- Auditor's management letter (shortcomings/mistakes listed by the auditor, including recommendations).
- Management's response to the auditor's management letter, explaining what action has been, or will be taken to remedy the insufficiencies and deficiencies indicated. The management response letter must be ready within a month after submission of the audit report by the management.
- Audit report (balance sheet, profit and loss statement, comparison with previous year's figures & budget, etc.)

More specific references to be followed are described in the audit "terms of references" (Annex 50).

At the CO audit, it is important that the auditor verifies the information of the group reporting against the local accounting records and confirms that they either match or can be reconciled with one another. When doing so, the respective tab of the group reporting shall be printed and signed by the auditor. A copy of the signed form shall be sent to the DO and Controlling.

Partner (Project Audit)

An external project audit must take place on an annual basis for all projects with a minimum annual project total of CHF 100,000 per partner. If the local requirements are stricter and an audit is required below CHF 100,000, the local requirements must be adhered to. Furthermore, HEKS/EPER always has the right to request an audit, even if the total project sum per year is less than CHF 100,000.

In general, HEKS/EPER prefers an institutional audit under the condition that an annex with a breakdown of the project costs and contributions, with the same degree of detail as shown in the initial budget, is disclosed for all the projects of the partner organisation.

If the project starts in the second half of the year, the first audit will take place at the end of the following year.

If several donors are funding the same project of the partner organisation jointly with HEKS/EPER, HEKS/EPER will contribute to the audit costs on a pro rata basis.

- The same terms of reference (TOR) as for the CO apply (Annex 50).
- If HEKS/EPER finances more than one project with a partner organisation, a single audit is required. This audit needs to include all projects. Every project must be reported separately.
- The costs for the audit are part of the overall project budget. Therefore, the complete audit report including management letter and response must be sent to HEKS/EPER (CO and HQ).
- Timeline as for CO audit.
- The partner organisation needs to submit the audit report, the management letter as well as the partner's response to the auditor's findings to the CO. The CO shall verify the audit report statements with its financial reports of the project and clarifies questions (if any) with the partner organisation. Thereafter the audit report and management letter shall be forwarded to the DO. The management response letter must be ready within a month after submission of the audit report by the management.

If there are any findings, the CO shall set up a mitigation plan (with concrete measures, milestones and timelines) with the partner organisation in order to improve on the audit findings. The CO shall follow up on this mitigation plan during the partner visits to ensure its implementation. Any implementation issues shall be discussed with the DO.

2.5.3 HQ Process of CO and Partner Audit Report

The audit report, including the management letter and the management response, must be sent to the DO within the above mentioned timeline.

The DO must verify the following points:

- That the audit report includes the management letter including the management response.
- The audit opinion was given and contains no restrictions.
- Register the audit report in the designated Excel file (at HQ) in order to check if all reports were received.
- Whether there are any issues/recommendations which need to be followed up on (if any expenses were found to be unacceptable by the auditor, the partner can be asked to reimburse the amount).
- Check with the CO and/or partner how the issues can be resolved.
- Whether last year's issues recur in the management letter/why issues have not been resolved.

The DO must notify HoC and HoD whether or not any significant issues and/or risks are revealed by the audit report.

For projects with financial means from foundations or other institutional donors – also applicable for mandates – the instructions of the foundation/donor in regards to audits need to be followed.

2.5.4 HEKS/EPER Audit for CO and Partner Organisation

The HEKS/EPER audit is a review activity designed to add value and improve an organisation's operations. It concerns evaluating and improving the effectiveness of risk management, control and governance processes in an organisation. It helps an organisation to accomplish its objectives by ensuring a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

The HEKS/EPER audit follows the principles of the internal auditing, which is often confused with external auditing. However, there are significant differences between these two audit types. External auditing focuses on the accuracy of the annual report and financial statements whereas internal auditing has a wider scope of control measures, considering anything that might be important to an organisation's success. A HEKS/EPER audit checklist is available in Annex 52.

- (a) HEKS/EPER has the authority to review and audit the projects' and CO financial management system at any time. Every partner organisation and the CO are requested to have their accounting up to date at all times.
- (b) HEKS/EPER audits are normally conducted by the FO or a member of the HQ Controlling team, hereinafter referred to as the HEKS/EPER auditor.
- (c) The HEKS/EPER auditor shall make unannounced visits to the projects to ensure that financial management policies and procedures are strictly implemented and exercised.
- (d) The HEKS/EPER auditor shall inspect the project's financial management system which involves financial planning, financial accounting, financial monitoring and financial reporting and controlling.
- (e) The HEKS/EPER auditor shall conduct audit measures to ensure that financial and accounting policies and procedures have been followed in a satisfactory manner.
- (f) The HEKS/EPER auditor ensures that petty cash, project advances, bank accounts, receivables, payables and other balance sheet accounts are reconciled on a timely manner.
- (g) The HEKS/EPER auditor ensures that the accuracy of arithmetic computation in all areas of financial transactions such as bills and invoices, payrolls, journals etc. is accurately verified.
- (h) The HEKS/EPER auditor needs to assess whether the expenses were allocated to the correct budget lines and whether any deviations from expense budgets of +/- 10% were reasonably explained.
- (i) If the HEKS/EPER audit is conducted at a partner organisation, it needs to review that only the realised expenses are charged to HEKS/EPER and not just the lump sum of the budget.
- (j) The HEKS/EPER auditor ensures that the person responsible for handling cash is not the same one who does the record keeping, data posting and authorisation of financial transactions and payments.
- (k) The HEKS/EPER auditor conducts surprise/random checks of cash, inventories, stocks, supplies, materials and other assets and verifies the records with the accounting system and inventory records,
- (l) The HEKS/EPER auditor ensures that access to assets or records is limited to authorised staff members.
- (m) The HEKS/EPER auditor ensures that any staff member who makes personal use of the organisation's resources and facilities (i.e. photocopying, guesthouse, vehicles, motorcycles, phone, etc.) makes appropriate recording of the services utilised and pays the bill in due time.
- (n) The HEKS/EPER auditor reviews the procurement policy and whether all procurements were conducted in adherence with the policy.
- (o) The HEKS/EPER auditor reviews the HR processes and management (e.g. do all employees have a valid employment contract, etc.).

The HEKS/EPER audit is completed with the sending of a report (or action plan) to the CD, DO and HoC. The report must be drawn up within one month after completion of the work.

It is the responsibility of the DO to ensure that all concrete measures for improvements in the HEKS/EPER audit report for the CO are implemented in a reasonable time frame. It is the responsibility of the CD to ensure that all concrete measures for improvements in the HEKS/EPER audit report for the partner organisations are implemented in a reasonable time frame. The progress of the implementation needs to be reported to the DO on at least a monthly basis.

The HQ reserves the right to perform a specific forensic audit if there are suspicions of misappropriation or other irregularities. This can be carried out by staff of the HQ Controlling or by external specialists.

3 Procurement and Logistics

3.1 Introduction

Consider the following general principles while carrying out procurement on behalf of HEKS/EPER:

- Best value for money: Choose the best price-quality ratio available for the procurement within the requested time frame.
- Fairness, integrity and transparency.
- Information linked to the procurement must be documented and archived.
- Effective competition: Two or more independent suppliers act on their own (not in collusion) and compete for the same piece of business.
- No purchases on the grey or black market.
- Respect basic social rights and working conditions: No child labour and no forced labour.
- Principle of Due Diligence: Follow up on the timely delivery and satisfactory quality of the received supplies, works or services. Where delivery is late or where the quality or quantity falls below what was agreed with the contractor, take remedial measures.
- Supporting the local economy: If possible and price/quality difference is not too important, give priority to local suppliers.

The standards described in this procedure cover the entire procurement process, from procurement planning to reception. They apply to all staff of HEKS/EPER involved in the process of procurement.

Approval of Rules on Financial and Material Responsibilities

The thresholds for authorisation of procurement are defined in the “Rules on Financial and Material Responsibilities” (Annex 6) of the CO. Regardless of the procurement procedure, all processes have to follow the [HEKS/EPER standard of documentation and filing](#).

Each CO draws up these rules and seeks approval from the Desk Officer and Controlling on a triennial basis when sending in the year-end closing documents. In case of changes during the year, an updated version must be sent to the Desk Officer and Controlling for approval.

Responsibilities

In the chapters below, the manual attributes responsibilities to FO, LOG Manager or Fleet Manager. In many contexts, the FO will assume all these responsibilities. While they bear overall responsibility, they may delegate tasks to colleagues.

3.2 Procurement Procedures

The purpose of this section is to provide guidance to the CO in the planning and implementation of procurement activities. The procurement function includes all actions necessary for the acquisition (by purchase) of goods, services and work.

The value of the procurement determines the procurement procedure. Every CO describes the minimum and maximum amount for each procedure in the “Rules on Financial and Material Responsibilities”.

According to the applicable procurement procedure, the purchase requester needs to submit certain documents to the FO (see table below).

Procedure	Purchase request with three quotes	Selection table	Contract	Tender
A	N/A	N/A	N/A	N/A
B/C	✓	N/A	N/A	N/A
D	✓	✓	N/A	N/A
E	✓	✓	✓	N/A
F/G	✓	✓	✓	✓

3.2.1 Humanitarian Aid (HA) Emergency Intervention

During the period of emergency interventions, procedure B/C (if not possible: procedure A) applies independently of thresholds defined in the locally enforced “Rules on Financial and Material Responsibilities”. The duration of the emergency intervention is defined by the HQ task force or by the HA HoD.

During the period of simplified HA procurement, the aim should be to have three offers for the procurement of goods and services. If this is not possible, procurement of goods and services is possible without prior request for at least three quotes.

The above is true as long as the total value of procurement related to the intervention remains below CHF 100,000. If the total procurement under the simplified rules exceeds CHF 100,000, further approval by HA HoD and HoC is necessary. For doing so, the CO shall write an email, outlining the total procurement expenses and some explanations as to how they have ensured that the price and quality of the procurement are reasonable despite the simplified procedure.

3.2.2 Procedure A: No Additional Documents

Comparison with Local Market Prices

The FO keeps a list with contact details of past and present suppliers and prices paid as well as CO satisfaction with the supplier. Any requester should consult this list before searching the market.

If the price on the procurement is significantly higher than the cheapest price paid in the past (> 20%), the purchaser must provide an explanation.

3.2.3 Procedure B and C: Purchase Request and Three Quotes

The rules of procedure A above apply.

Criteria for Quotes (Pro Forma Invoices, Offers)

- Suppliers are not related to staff members (relatives, close friends).
- No person involved in the procurement process accepted any “kick-backs”.
- Make sure that the supplier exists (to avoid fake quotes).

Definition of Product Profile

Prior to asking for a quote, define the procurement in detail. Consider the following points:

- Features: List the key features of the product.
- Quality: What is the purpose of the procurement (long/short-term)?
- Quantity: In what quantity is the product needed?
- Price: What is the budget for the product?
- Availability: How soon is the product needed?
- Terms of delivery: Who will deliver the goods, who is responsible for problems during the transportation, and to what address shall the goods be delivered?

Purchase Request

For procurements of type B and above, the requester fills in a purchase request (Annex 23) and forwards it to the FO before they order the product from a supplier.

The FO

- Checks whether the purchase is budgeted in the annual budget and makes sure that the requester noted the correct budget line in the form. For further information, especially regarding non-budgeted procurement, please see the [Budget](#) and [Cash Flow Forecast](#) chapters.
- Verifies that the requester attached all necessary documents (3 offers) to the purchase request and that they are duly signed.
- Forwards the purchase request to approvers according to the Rules on Financial and Material Responsibilities.

After all mandatory approvers have signed the purchase request, the FO keeps a copy of the signed request and either forwards the signed original to the LOG Manager for execution or advises the purchase requester to proceed with the purchase. If the purchase cannot be taken immediately (e.g. stationary items, being purchased in a store, can be taken to the CO at the time of purchase), the selected supplier needs to sign a **purchase order** prior to delivery (Annex 25).

It is recommended that the FO keeps a purchase request register (please see an example of a purchase register in Annex 24) in order to keep track of all purchase requests.

3.2.4 Procedure D: Purchase Request, Three Quotes and Selection Table

All rules of procedures A and B/C above apply.

Selection Committee

The selection committee is composed of at least the CD, the FO, the logistician (if applicable) and the requester. In addition to these mandatory members, each CO can choose, with approval of the DO, to add more members to the committee.

If the majority of the committee agrees on a bid, they select the supplier and the procurement is approved. In the event of a tie, the CD has the casting vote.

Selection Table

A selection table with all evaluated bids (Annex 26) is filled in during the committee meeting. The selection committee decides on the best bid, considering the price, quality and delivery time. With their signature on the selection table, selection committee members confirm their choice of supplier. All committee members need to sign, even if they voted against the successful supplier.

3.2.5 Procedure E: Purchase Request, Three Quotes, Selection Table and Contract

All rules of procedures A, B/C and D apply.

Contract Preparation

The LOG Manager prepares the contract, collects mandatory signatures and communicates with the supplier. For mandatory signatories, see Rules on Financial and Material Responsibility.

Standard Contracts

Every CO should draft standard contracts based on following templates:

- Contract for the purchase of goods (Annex 53).
- Service agreement, which is also used for consultants (Annex 54).
- If required, a lease agreement (Annex 18).

Ask a local legal adviser to confirm compliance of standard HEKS/EPER contract templates with national legislation. Forward written confirmation of the legal adviser to DO and Controlling before you start using your local template.

Contracts are always mandatory, regardless of their value, for:

- Procurement of services.
- Rental of premises (offices, residences, warehouses).
- Rental of means of transportation.
- Auditors.
- Any procurement with advance payments.

As an integral part of any contract, the supplier must sign the Supplier Code of Conduct (Annex 27).

Regarding the rules of initials and contract signatures, please refer to the rules of material and financial responsibilities annex.

Payment Modalities in Contract

The LOG Manager specifies the payment modalities in every contract.

Penalties

Define penalties in the event the supplier does not respect deadlines. Include penalties in our standard contract template.

3.2.6 Procedure F and G: Procurement with Tender

All rules of procedures A, B/C, D and E apply.

Criteria for Application of Tender Process

For any procurement exceeding the amount defined in the “Rules on Financial and Material Responsibilities”, a tender process is mandatory.

Two Types of HEKS/EPER Tender Processes

a) Invitation to Bid

The LOG Manager invites several pre-selected enterprises to submit a bid.

b) Open Competitive Bidding

The LOG Manager opens the tender. Choose means of communications that will allow reaching as many potential bidders as possible. The deadline to submit a bid lasts for a maximum of 40 days.

Possible means of communication need to be adapted to the local context and may include, but are not limited to:

- Invitation to former suppliers.
- Internet platforms.
- Newspapers.
- Radio (especially in countries with low literacy).

Criteria for Evaluation

The requester and LOG Manager specify two sets of criteria before they publish the tender. These criteria cannot be changed once the bidding has begun.

- Eligibility of supplier: Suppliers need to be capable of implementing the task. The requester and LOG Manager draw up a list of criteria that allows a comparison of suppliers. Together with their bid, interested suppliers have to submit their:
 - Company profile.
 - Registration documentation.
 - CVs of employees who carry out the contracted tasks.
 - Recommendations from former customers.
- Evaluation of Quote: Compare criteria such as delivery time, quality, cost effectiveness, cost of operation, client service, practicality, sustainability, innovation content, etc. in order to determine the best bid. The price is a mandatory criterion.

Tender Documentation

The documentation contains:

- General information about requested procurement.
- List of required documents, especially documents linked to the eligibility of the supplier.
- Technical specifications.
- Delivery conditions (delivery period, means of transportation, etc.).
- Explanations of HEKS/EPER’s selection method.
- Contact details for further questions.
- Deadline for submission of bid.

Sub-division into Lots

Goods or services may be procured in a single bid, or sub-divided into lots. If the tender is sub-divided, describe the individual lots in the tender documentation.

Submission of Bids

Bidders submit their quote in sealed envelopes directly to the LOG Manager.

The LOG Manager marks the date of submission on the sealed envelopes and keeps them in the safe until the selection committee meets.

Evaluation of Bids

The selection committee proceeds in three consecutive steps:

- Evaluation of eligibility criteria. Eliminate quotes that do not conform.
- Evaluation of technical details of bid. Eliminate quotes that do not conform.
- Comparison of remaining quotes.

During the committee meeting, fill in the result of the joint evaluation of selection committee members in the selection table³⁰. Committee members select the bid that best matches the profile and confirm their approval with a signature on the selection table.

A second round of negotiations with preferred suppliers can take place after the first meeting. The procedure can be repeated several times until the price/conditions are acceptable.

The CO conducts the whole process in close cooperation with the DO and archives all outgoing and incoming mail concerning the tender process. The tender process and the selected supplier(s) require approval as indicated in the CO's material and financial responsibilities.

The entire tender process needs to be documented in a procurement summary. This is the task of the committee.

3.3 Payments

The purpose of this section is to provide guidance to the CO regarding the minimum standards for payments.

As a rule, monetary transactions shall be handled, whenever possible, by bank transfers. Due to good documentation and traceability, bank transfers decrease HEKS/EPER's risks. The HQ's preferences are first bank transfer, second cheque and only as a last option, cash transactions. All monetary transactions need to be approved according to the "Rules on Financial and Material Responsibilities" (Annex 6) as well as the prerequisites below.

3.3.1 Requirements

A written document must be available for all expenditures. If the amount as per the CO's "Rules on Financial and Material Responsibilities" requires an invoice, the CO must have an original invoice, including the following:

- Name and address of the supplier, VAT number, any other company registration number.
- Date and place.
- Description of purchases.
- Unit price, quantity and total cost per item.
- Amount in figures.
- Currency.
- Translate date, location, description, quantity, unit price, total price, supplier name and currency from documents in local languages into English, French, Portuguese or Spanish.
- Original stamp and/or signature, on company' headed paper.
- Any other country-specific prerequisites.

³⁰ For doing so, it is possible to add further relevant criteria into the selection table.

The supplier or the FO must mention the project number on all invoices and supporting documents. The FO further notes the budget line on the invoice.

If it is not possible to obtain an official invoice, a receipt booklet must be used. The following must be written on a receipt/accounting voucher (please refer to Annex 5 for the template of a manual accounting voucher):

- Transaction number as assigned by the accounting software.
- Date of payment.
- Project number.
- Account against which this expense is posted.
- Approval signature(s) according to the Rules on Financial and Material Responsibilities (Annex 6). Please note that the CD cannot approve their own expenses by themselves. On a monthly basis, the FO verifies the expenses of the CD and makes a respective reimbursement to the CD. On a quarterly basis, the CD scans all their receipts and sends it to the DO for approval. If the DO rejects a submitted expense receipt or there was an error, the DO will advise the FO to deduct the respective amount from the next salary payment to the CD.
- In case of cash payments, the recipient's signature on the invoice to prove that he/she has received the money.

If the main content (description of item or service) of a receipt or invoice is not written in English, Spanish, Portuguese or French, the description must be translated into one of these languages on the receipt/invoice. The detailed description of the item or service, currency and amounts must be clear and legible.

If the expense is more than CHF 200 and no receipt can be obtained, it requires approval by the DO. The total of all quarterly expenses without receipts shall not exceed CHF 500, otherwise the list of expenses need to be approved by the DO as well.

3.3.2 Invoice Reception

Once the invoice/receipt is obtained, the purchase requester checks the delivered goods. The requester confirms with their signature on the invoice that the delivered goods conform to the quote (if any) and that the quantity, quality and delivery conditions match the information on the invoice. After doing so, they forward the invoice to the FO.

If the actual price of the product varies from the quote by more than 5%, a new purchase request with all mandatory signatures must be issued.

In order to keep track of all invoices, the FO can generate an invoice register (example provided in Annex 28). In the invoice register, all incoming invoices are recorded in chronological order and are attributed with sequential numbers.

The FO compares the invoice to the budget/local market prices and ensures that the purchase requester signed the invoice and attached all mandatory documents. The FO occasionally crosschecks the prices offered by suppliers, for instance by anonymously requesting quotes for the same items that have been purchased recently.

The FO ensures that any guarantee (warranty) is stamped and signed according to local legal requirements. The FO files all guarantees.

3.3.3 Initiate Payments

Regardless of the payment method, all payments need to be approved by two people to secure the double-signature principle. After the payment is initiated, the FO shall post it directly into their local accounting and shall stamp the invoice with a "paid" stamp.

If the payment is made via a cheque, the FO issues the cheque as an original and a copy. The former is given to the recipient of the payment while the latter is attached to the original invoice and the remaining supporting documents for the purchase. Once issued, the FO needs to verify in the bank statement whether the cheque was cleared and once it is cleared, post the accrued amount in the liabilities account “uncleared cheques” against the bank in the balance sheet (for more information, please refer to [Accruals chapter](#)). If a cheque is cancelled, the copy of the cheque needs to be crossed out and the respective counter-posting shall be issued in the CO books in order to cancel the initial posting.

Every posting entry needs to be registered in the accounting software with invoice number as well as purchase request number.

Blank cheques are not permitted under any circumstances.
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3.3.4 Partial Payment

The FO checks whether a partial payment was made for the procurement. The total value of a given procurement is defined by the value of the purchase request. The total of the partial payments should never exceed the value of the goods, work, services delivered by the supplier at the time of payment.

Any partial payments need to be documented on the invoice so that the total invoice amount is visible as well as the partial payment amount and the respective net amount which still needs to be paid.

3.3.5 Advance Payments

An advance payment (payment before supplier delivered or starts service/work) of max. 30% can be granted. If a supplier requests an advance payment of more than 30%, a higher percentage can be negotiated. In this case, the approval of the DO is needed.

Never accept advance payment of 100%!

For advance payments, a contract is mandatory and the advance payment must be defined in the contract. A copy of the contract must be attached to the voucher together with an invoice in the case of advance payments.

3.3.6 Documentation and Filing

Each transaction needs to be documented with an original invoice or if this is not possible with a receipt (as outlined in the [Requirements](#) chapter). For detailed instructions on this subject, please visit the [HEKS/EPER's Documentation and Filing Standards](#) chapter.

3.4 Asset Management

3.4.1 Office Equipment

Definition

Office equipment is goods which are used by the CO. Examples are office stationery, laptops, desks, water dispensers, etc.

Activation of Office Equipment in the Balance Sheet

- [Inventory items](#): Items with a purchase price above CHF 50 as well as all electronic devices.
- [Fixed assets](#): Items with a purchase price of more than CHF 3000 need to be activated in the balance sheet. For detailed definitions and accounting rules for fixed assets, please refer to the [Fixed Assets](#) chapter.

Inventory List

The inventory list contains the following information:

- Asset tag number.
- Date of purchase.
- Description (serial number, model, etc.).
- Current location.
- Purchase currency and price.
- Invoice number.
- Manufactured by.
- Person it is assigned to.
- Date of removal/disposal.
- Comments (i.e. quality, damages).

The FO registers both fixed assets and inventory items in the inventory list and always keeps it up-to-date. The inventory list can be reviewed in the group reporting (Annex 2). For further information, please refer to the [Fixed Assets](#) chapter.

Asset Tag (Inventory Number)

Every item that appears on the inventory list is marked with an asset tag that contains the asset number.

Stock Control

Every item must be traceable at any moment. The physical stock must reflect the inventory list and document damages and losses. The LOG Manager carries out regular checks.

Lost Items

If office equipment is lost, the LOG Manager documents the circumstances of that disappearance with as much detail as possible in the loss report form (Annex 29). The LOG Manager, the FO and the CD sign the loss report form.

Disposal of Office Equipment

Office equipment can only be disposed of with a signed disposal form (Annex 30). The CD approves any sale or donation.

When office equipment is disposed of, record the following information in the inventory list:

- Date of removal/disposal.
- If sold: Name of purchaser, amount received.
- If donated: Name of recipient.

For more information on how to record the sale, disposals, donations and lost items in the balance sheet and income statement, please see the [Fixed Assets](#) chapter.

Sale

The LOG Responsible publishes the sale internally and externally.

There are two possible ways to sell an item

- Lottery: The FO fixes a price for the item to be sold. Internal and external interested persons write their name on a list. Lots are prepared with all names. All lottery participants are invited to attend the lottery draw on a fixed date.
- Bidding: The FO defines a minimum price for the item. All interested employees/external persons submit a bid with the amount they are willing to pay in a closed envelope. On the pre-determined day, all envelopes are opened in the presence of the bidders. The person with the highest bid receives the item for the offered price.

Donation

- Office equipment must not be donated to private individuals, only to organisations.
- Donations with a value exceeding CHF 400 in local currency need approval of the DO.
- For all donations, the FO fills in a donation certificate (Annex 31). The CD and FO sign the certificate. The receiver of the donation confirms receipt of the donation on the donation certificate.

3.4.2 Consumer Goods

Definition

Consumer goods are goods purchased for a project with the aim of being distributed to the project's people of our concern. Those goods are generally not stored within the CO itself but in a separate inventory or a warehouse.

Stack Card (or Stock Card)

On the stack card, the following information needs to be visible:

- Asset tag number.
- Entry date.
- Description.
- Quantity of items received.
- Quantity of items withdrawn/distributed.
- Balance of items in stock.
- Storage location.
- Signature of LOG Manager.
- Comments (i.e. quality, damage).

Stock Control

Every item must be traceable at any moment. The physical stock must reflect the stack card and document damages and losses.

The LOG Manager carries out a weekly stock count. The FO (or CD, if FO is the LOG Manager) carries out a surprise stock count at least monthly. The control includes the comparison of physical stocks with stack cards and a check of quality and quantities.

Look all round each stack; use a torch in dark places; look out for:

- Split/broken containers.
- Webs or cocoons of beetles and moths between bags or in the seams.
- Heating (lift a bag in the middle of the top layer).
- Unusual smells.
- Hardening of dried skimmed milk (DSM) sacks.
- Rusting or swelling of cans (open a few randomly selected cartons; reseal them after inspection).
- Leakage of oil.

Incoming Fixed Consumer Goods: Receipt Slip

The LOG Manager acknowledges reception of new items with a receipt slip (Annex 32). The slip contains:

- Asset number.
- Entry date.
- Description.
- Quantity of items received.
- Invoice number.
- Unit of measurement.
- Comments (i.e. quality, damage).

Outgoing Consumer Goods: Delivery Slip

If consumer goods are used, a delivery slip (Annex 33) is filled in and signed by the LOG Manager, the receiver, and the FO.

3.4.3 Storage Guidelines

This chapter draws on the *WFP NGO handbook* chapter 3, section 6 “Food storage and handling”, pages 109–118. For more information, please refer to Annex 34.

Principles of Storage, Transport and Handling

Aspects to consider when choosing a warehouse include:

- The security situation in the locality.
- The suitability of the building and compound.
- The availability of suitable handling equipment.
- The availability of competent warehouse personnel.
- Whether the store can become operational immediately; the potential delays and risks if it is not immediately usable.
- The availability of a secure parking area and access roads for trucks (attached to the warehouse or close to it).
- Cost (of any rental and/or repairs).

Storage Conditions that Prevent Loss

Manage perishable goods according to the “First In, First Out” principle.

Warehouses and other storage facilities should:

- Have gates, fences, doors, roofs, windows, gutters and drains in good repair.
- Have secure locks.
- Have sound, clean floors.
- Have accessible fire extinguishers.
- Have no signs of entry of rats or mice.
- Not allow smoking on or near the store.

Stacking Guidelines

For indoor stacking:

- Different commodities, different packages and different consignments are stacked separately.
- Between stacks and all walls and pillars ensure there is at least 1 m space.
- Between stacks and the roof structure there is some space.
- Between stacks there are passages of at least 2 m for loading/unloading (5 to 6 m passages in a large store where the entry of trucks has been authorised).
- All stacks are built on pallets or round-pole dunnage (with priority to flours and blended foods).
- Pallets/dunnage are smooth and level: there are no projecting nails or splinters.
- Stacks are orderly, built to the edges of the dunnage and “bonded” (the containers in each layer are oriented at right angles to the layer below).
- Height limits are respected; lower layers are not crushed.

For outdoor stacking (when indoor capacity is insufficient):

- For food, only wholegrain cereals, pulses and vegetable oil in drums are stacked outside (no flour, blended food, milk powder or canned items).
- The ground is firm and flat (ideally with a slight slope for drainage) – no danger of flooding.
- All stacks are on dunnage on a raised gravel platform surrounded by drainage ditches.
- There is a polythene/PVC sheet between the dunnage and first layer, and this sheet is turned up and tucked in between third and fourth layers.
- A canvas or plastic tarpaulin covers the stack and is tied down on all sides.

4 Vehicle Management

4.1 Vehicle Purchases

Definition HEKS/EPER Vehicles

These rules apply to all HEKS/EPER-owned vehicles.

Purchase of a Vehicle

Every purchase of a vehicle needs prior approval from the DO. The CD submits a request to the DO with following information/documents:

- Purpose of the vehicle and who will be the driver.
- At least three quotes from different suppliers.
- All tax, insurance and other fees should be included in the request.

The DO approves the request for the vehicle purchase in writing.

4.2 Vehicle Handling

Handling of Vehicles

To ensure a long life of the vehicle, proper handling and control of cost for fuel and spare parts:

- A logbook must be filled in by the driver every time the vehicle is used (Annex 35).
- The filling of the fuel tank as well as the purpose of each trip must be registered in the logbook.
- For every filling of the fuel tank, the number of litres must be recorded in the logbook.
- The vehicle must be serviced at least annually. The service must be done by a certified/official garage. On the invoice, the garage must list spare parts used for the service. The FO (or the Fleet Manager, if applicable) keeps all related documents.
- No weapons are allowed in vehicles or on motorbikes. A no-arms sticker must be placed visibly on the windscreen.
- Every HEKS/EPER vehicle is mandatorily equipped with a tool box adapted to the operating environment, a fire extinguisher and a first aid kit.
- Under normal circumstances, all passengers in HEKS/EPER cars must wear seatbelts. It is the driver's responsibility to make sure that the seatbelts of all passengers are fastened before the car starts.
- Drivers are requested to regularly attend safe driving training courses.

Who May Drive the Vehicle?

The vehicle is driven by designated staff only. This is usually the driver and the CD. Due to insurance concerns, DOs or other staff from HQ are not allowed to drive HEKS/EPER vehicles.

A list with all authorised drivers (for cars as well as motorbikes) needs to be approved by the CD and shared with the DO ([Annex 35](#)). Any changes must be reported to the DO. Delegates also need to appear on the list of designated drivers if they choose to drive themselves.

Consumption

The Fleet Manager carries out a monthly assessment of fuel consumption for every vehicle, based on litres/km or mile consumption recorded in the logbook and reports any irregularities to the FO.

Private Use of Vehicles

In general, HEKS/EPER does not permit use of its vehicles for private purpose for various reasons. If there is a real necessity to use HEKS/EPER vehicles privately, the CD needs to ask for the DO's written permission to do so. Upon approval, private drivers are also entered into the list of designated drivers.

Private users need to reimburse the CO for the use of the vehicles. A reimbursement price per kilometre or mile to cover fuel costs as well as the amortisation for use must be set by the CD and the DO in a memorandum. They determine the price according to local customs. Possible benchmarks could be other NGOs, government agencies, recommended rates per km/mile by insurances or automobile associations, etc.

The reimbursements are made each month by the FO by deducting the reimbursement amount from the private user's salary. The basis for calculations is the monthly consumption report of the Fleet Manager. The FO records this reimbursement as "salary expense / fuel, insurance and repair/maintenance of vehicles".

In the event damages were caused due to carelessness or neglect while the vehicle is used privately, HEKS/EPER reserves the right to ask for financial compensation from the driver.

5 Human Resources

The purpose of this chapter is to provide guidance to the CO for the management of human resources (HR). The section explains the management of routine staff matters, from recruitment up to the end of the employment contract as per HEKS/EPER standards.

As all HR processes are highly impacted by the local legislation (particularly the national labour law), the COs need to establish its country-specific HR manual, defining its HR processes, employee rights and obligations. The HEKS/EPER standards are recorded in the Staff Regulations (Annex 17), which shall be the basis for amendments to local law and CO-specific processes. It is important that the CO's staff regulations are complete³¹, correct and up-to-date at all times. Prior to HQ approval by the DO and HoD, the CO's staff regulations need to be reviewed by a local lawyer to ensure compliance with all relevant local laws. The staff regulations form an integral component of each CO employment contract and consequently need to be signed by all employees upon each staff regulation revision. The revision shall take place upon change of the local law or the latest after three years.

5.1 HR Documentation and Filing

The CO needs to create a separate and complete employee file for all past and current employees. Due to confidentiality, those files must be kept in a place where only the CD and FO can access them. The staff files need to contain the following original documents:

- Current and past Employment Contracts (Annex 36) and contract amendments.
- Signed Staff Regulations (Annex 17).
- Signed Code of Conduct (Annex 37).
- The employee's job application, CV and certificates.
- Job description.
- Emergency Contact Names and Phone Numbers (Annex 47).
- Signed and dated country security plan³².
- Monthly filled and signed Time Reporting (Annex 41).
- Filled, dated and signed Annual Performance Evaluation (Annex 42).
- Annual Remuneration Scale Placement Information Letter (Annex 43).
- Approval and Request for Reimbursement of Work-related Training (Annex 46).
- Annual Medical Reimbursement Overview (Annex 48).
- Copy of the passport or respective valid identification document.
- For the FO, CD, Accountant/Cashier and all employees at management level: An extract from the employee's criminal record, or certificate of good conduct or similar.
- The driver personnel file requires a copy of their driving license.
- Letter of termination for former employees.
- Any important correspondence regarding employment relationship.
- Etc.

In addition to the above mentioned employee-specific files, the CO needs to make sure that the remuneration scale and its annual adjustments are documented properly and filed appropriately. It is the responsibility of the FO to keep all HR-related files up-to-date and complete at all times. As outlined in the Documentation and Filing chapter, the files need to be kept for at least 10 years. For further information, please review the [Documentation and Filing](#) chapter.

5.2 Recruitment and Selection of New Employees

Prior to any recruitment process, the CO needs to check whether the respective position has been budgeted for in the annual [CO budget](#). If so, the CO shall draft a job description for the position or review the existing job description for the CD and FO (Annex 39 and 40) and adjust it to the CO's actual needs.

³¹ Meaning that it shows all HR-relevant processes and agreements.

³² According to the Field Security Guidelines, every CO submits a country security plan at least yearly to the Security Focal Point at HQ. The plan is revised during the course of the year when changes in the security assessment of the CO or the HQ make an adjustment of security measures necessary.

If there are any changes made to the standard job description of the FFAG, this requires approval from the DO. If there is no CO budget for this position, the FO needs to review the annual [CO budget](#) to see whether the CO spending can be reduced on the existing budget lines for staff expenses in order to stay within the approved budget even if the new position is recruited within the same year or whether a budget increase is required prior to it being possible to start the recruitment process. In any case where the new position was not budgeted for, the recruitment requires approval from the DO. If the CO budget needs to be increased, the instructions in the [CO Budget](#) chapter and the HQ project approval process needs to be followed.

The CD is responsible for the recruitment of all CO staff as well as the employees of any direct implementation projects of HEKS/EPER – if they are not expatriate employees. Expatriate staff shall be handled by the respective HQ process. The CD³³ recruitment is under the responsibility of the DO and HQ HR with approval from the HoD. The employment contract of the CD is directly signed with the HQ.

All local recruitments (incl. CD recruitment) follow the HEKS/EPER recruitment principles below:

- All job vacancy/opening must be advertised publicly (e.g. newspaper, Internet, etc.). This is also true if there is a suitable internal candidate within HEKS/EPER.
- In general, no family members³⁴ can be recruited. If family members apply for a position, this needs to be communicated openly and the recruitment will require DO approval.
- The principle of gender equality and diversity has to be followed.
- The person shares the values and core beliefs of HEKS/EPER³⁵.
- The person does not have a secondary occupation (paid or unpaid) that could interfere with the activities of HEKS/EPER. Any civil, political and religious commitments need to be reported to the CD and DO. Please also see the process description below under [General](#).
- The person is an adult (over 18 years) and below the country's official retirement age.
- Nationality (dual nationality) status or residence permit in the respective country has to be clarified.
- The person has no criminal record (extract from the register of foundations; officially attested copy of the original not older than 6 months). This is particularly important for recruitments of the CD, FO, Accountant/Cashier and other management positions.
- The CD needs to have a good command of written and spoken English.
- The FO needs to have a conversational command of written and spoken English.

The selection process below is valid for the recruitment of the CD, FO and PO, while all other positions may be recruited according to local practices:

- After the examination of the applications, at least three people have to be selected for interviews.
- The interviews need to be prepared by defining concrete selection criteria, which need to be approved by the DO prior to the interviews being conducted. The selection criteria shall entail work-related qualities, soft skills as well as other information (e.g. desired salary, work permit, etc.). The definition of the selection criteria shall ensure that the most qualified and most suitable person is being selected.
- The interviews need to be conducted with at least two people – ideally a man and a woman – and both interviewers have to rate the candidate separately based on the defined selection criteria.
- For the top two candidates, the CD requests the contact details of at least two suitable work-related references per candidate in order to get some information of the experiences of the previous employer. One of the reference people needs to be the previous supervisor of the candidate.
- If a FO is recruited, the CD and DO shall select the two most suitable candidates and shall organise a second interview round via Skype with HQ Controlling.
- The CD recruitment requires approval from the DO and HoD.

³³ For HA delegates and expatriates, please consult the HQ expat procedures manual.

³⁴ Family is defined broadly, meaning spouse, children, uncles, aunts, cousins, etc.

³⁵ To be found on the HEKS/EPER website – “Our Values and Core Beliefs” document.

Upon the approved selection of the candidate, the candidate is placed into the CO remuneration scale in order to enable the FO to prepare the employment contract. The contract of the CD is prepared by the HQ. For further information about the remuneration scale, please read the [CO Remuneration Scale](#) chapter.

With this information, the FO prepares the employment contract by using the contract template (Annex 36). This contract template is the minimum standard of HEKS/EPER and it is not possible to further reduce work contract clauses from the standard. The employment contract can be for a fixed or open-ended duration.

The CD must ensure that the selected candidate signs all HR-related documents prior to the start of the candidate's employment. Those documents are the work contract (Annex 36), the job description (Annex 39 and 40 for CD and FO), the staff regulations (Annex 17), the code of conduct (Annex 37), and the IFRC code of conduct for humanitarian contexts (Annex 38). The employment contract is thereafter to be signed by the CD (for any CD employment, by the HQ). Should the local labour law require a double signature by the employer, the FO or PO shall sign as well. Thereafter all local legalisation processes (e.g. with the ministry of labour) shall be followed, if applicable. All HR-related documents need to be filed by the FO in the employee's personnel file as per the description in [HR Documentation and Filing](#) chapter above.

Prior to the first day of the employment, the CD or direct superior needs to establish an introduction/commencement plan for the new employee, which among other things entails that the candidate fills in the emergency contact information form (Annex 47), is introduced to the relevant people, projects and tasks and reads all relevant HQ guidelines and procedures. For all employees, it is mandatory to read the FFAG and the security guidelines, while the CD and POs need to read the PCM, the HA concept and all other relevant project-related guidelines.

5.3 Terms of Employment

5.3.1 General

Obligations of the Employee and HEKS/EPER

The CO and each employee is obliged to follow local laws and regulations as well as all procedures of HEKS/EPER, particularly the code of conduct, the IFRC code of conduct for humanitarian contexts, the staff regulations and the procedures for good governance. For further information about the latter, please read the FFAG [HEKS/EPER's Good Governance Policy](#) chapter.

The Employee can be held responsible for any damages caused knowingly or by carelessness. The disciplinary measures are (1) verbal warning, (2) written note [to be filed in the employee's personnel file], (3) second written note [to be filed in the employee's personnel file], and (4) dismissal. Depending on the severity of the misconduct, the CO can dismiss an employee with immediate effect, a request for compensation and/or a criminal prosecution.

Commitment to HEKS/EPER Values and Mission

Each employee commits to the organisation's values and core beliefs³⁶ as well as HEKS/EPER's strategy and mission. Moreover, they commit to acting at all times according to the HEKS/EPER code of conduct (Annex 37), the IFRC code of conduct for the humanitarian context (Annex 38) and projects as well as the [anti-corruption guidelines](#) of the FFAG.

External Employment and Voluntary Activities

The primary obligation of HEKS/EPER employees is to devote their energies to the work of the organisation. It is therefore not permitted for HEKS/EPER employees to engage in any external activity, whether remunerated or not, which interferes with that obligation, is incompatible with its status, or conflicts with the interests of HEKS/EPER.

³⁶ To be found on the HEKS/EPER website – "Our Values and Core Beliefs" document.

The employee must obtain written permission by the CD for additional employment (with or without remuneration) outside of HEKS/EPER. Furthermore, all external activities in civil, religious or political groups must be declared in writing to the CD and DO and require the approval of both.

Confidentiality

The employee must observe strict confidentiality regarding all matters connected with their employment with HEKS/EPER and must not reveal at any time (during and after the employment with HEKS/EPER) any of the matters to external entities which may come to the knowledge of the employee in the discharge of their duties, except if their official superiors authorised them to do so. Any breach of these requirements will render the employee liable for dismissal.

All papers, documents, research and academic work connected with the projects are the property of HEKS/EPER. The employee is obliged to obtain HQ approval for all publications (press articles and academic work, films, video material, photos, slides, audiotape material and so forth) that are linked to their work.

HEKS/EPER's Property

The employees shall use all HEKS/EPER equipment and property with due care and shall scrupulously respect all regulations regarding its use and maintenance.

All HEKS/EPER's property needs to be returned to HEKS/EPER upon termination of employment.

Financial Commitments

Employees shall not commit HEKS/EPER financially or in any other way without having received specific written authorisation or being authorised to do so by the CO's Financial and Material Rules and Responsibility (Annex 6).

Conflict Resolution

In the event of a serious conflict between the direct superior and the employee, the persons involved shall consult the next higher level of authority at HEKS/EPER. The latter will mediate in the conflict with the aim of finding an amicable solution. Should a resolution not be possible for any reason, then the next higher level of authority will decide what final measures are to be taken or how to resolve the issue. Additionally, any staff member may use the [whistleblowing process](#) for lodging complaints.

5.3.2 Work Time and Leave

Working Hours, Time Reporting and Overtime

Full-time employees (100%) of HEKS/EPER work on 5 days per week, 8 hours 24 minutes per day, or 42 hours a week. Each employee has to fill in a time reporting sheet, distinguishing between the employee's main tasks and projects (minimum standard to be found in Annex 41). The time reporting sheet needs to be filled in to the nearest quarter of an hour. The filled in monthly time reports need to be submitted at the end of each month to the employee's direct supervisor for verification and approval. Upon approval, the time reporting sheet shall be filed in the employee's personnel file.

All employees (with the exception of the CD) who worked more than the 42 hours per week and whose overtime was approved in advance in written form by the direct superior, can compensate the overtime on a 1:1 basis by receiving the equivalent amount of time off. Should the overtime not be compensated within the same year that it occurred, the employee has an additional time frame of six months (30 June) to compensate. After this period, all overtime of the previous year is void and cannot be compensated anymore. HEKS/EPER compensates overtime only in time off. Any financial compensation is not permitted. The CD cannot compensate overtime as any overtime is already an integral part of the CD's remuneration package.

Annual Leave, Public Holidays and Special Leave

In case of a 42 hours' week in an HO, the employees are entitled for an annual leave of 25 working days per annum for a 100% work pensus. After the age of 55, the annual leave is 30 days per annum.

In case the local law does not permit to work 42 hours a week, the annual leave entitlement per year is 20 days.

In both cases, the annual leave days are to be calculated on a pro rata basis if an employee works only part time or is not with HEKS/EPER for the full year.

The leave must be taken during the year in which it accrues, otherwise it will be void. In exceptional cases, extensions up to six months of the following year may be granted by the CD. No financial compensation will be paid for leave not taken during the corresponding period.

The period of leave needs to be approved by CD, taking the employee's wishes into account whenever possible. When an employment contract is terminated, leave taken in advance or untaken leave will be deducted from, or added to, the final salary.

HEKS/EPER grants public holidays according to the local law up to a maximum of 12 days per year. The official public holidays need to be specified in the CO's staff regulations. Should a country have more than 12 public holidays, the annual leave of the staff of this particular country will be reduced accordingly.

The paid maternity leave for female HEKS/EPER employees is 11 weeks. It is possible to start the paid maternity leave up to two weeks prior to delivery. The employee applying for maternity leave has to provide a medical certificate, indicating the approximate date of delivery. If medical costs related to said maternity are not covered by any other insurance scheme, such costs will be reimbursed up to a maximum amount of CHF 1,000 upon presentation of receipts (for further information, please see [Health and Accident](#) chapter below).

Paternal leave of a maximum of one (1) week (in addition to the annual leave) is granted for male HEKS/EPER employees after the birth of their own children.

Other special leave is as follows:

- | | |
|---|------------|
| • Employee's wedding: | Three days |
| • Wedding of employee's brother, sister, child: | One day |
| • Death of employee's spouse, child, parents: | Three days |
| • Death of employee's parent-in-law, siblings or grandparent: | Two days |

5.3.3 Health and Accidents

If an employee cannot attend work due to illness or accident, they shall immediately inform their direct superior. Any absence of more than three consecutive work days must be justified by a medical certificate. HEKS/EPER reserves the right to have an employee medically examined by a doctor of its choice. Failure to submit such a certificate will result in a corresponding loss of salary or annual leave. Cumulated short periods of non-certified sick leave adding up to more than one week per annum will also result in a corresponding loss of salary or annual leave.

Salary Payments during Sickness and Accidents

In case of a longer sickness or recovery period from a non-occupational accident, HEKS/EPER will continue to pay the salary as follows:

- | | |
|-------------------------------|---|
| • During probationary period: | Two weeks of salary are paid at 100% |
| • During 1st year of service: | One month salary is paid at 100% |
| | The following two months are paid at 50% |
| • After 1st year of service: | Two months' salaries are paid at 100% |
| | The following four months are paid at 50% |

In case of an occupational accident, HEKS/EPER will continue to pay the employee's salary at 100% up to a maximum of six months.

Insurance Coverage

In general, HEKS/EPER employees benefit from the health and accident insurance coverages provided by the country's system of social security. If there is no or no satisfactory local system of social security cover, the CO shall provide its employees with (additional) health and accident insurance³⁷. HEKS/EPER does not provide its employees with any life insurance.

HEKS/EPER prefers local insurance solutions and the maximum premium amount (for the combination of accident and illness insurance) per employee and annum is CHF 1,000. If the employee wishes to cover their direct family members³⁸ with the same insurance, then she/he may do so, but the total contribution of HEKS/EPER will not exceed the maximum amount of CHF 1,000. Any additional amount must be covered by the employee himself/herself.

In the event that there is insurance as per the conditions discussed above or via the local social security system, the receipts of any medical expenses due to accidents and illness shall be submitted to the respective health and/or accident insurance for reimbursement. The FO shall keep a copy of the submitted invoices in the employee's personnel file for tracking records.

In the event that there is no insurance as per the above paragraphs, HEKS/EPER will reimburse the medical expenses as follows:

Sickness and Non-Occupational Accident

In the event of the employee or their legitimate spouse or children suffering from a sickness or non-occupational accident, HEKS/EPER reimburses 80% of the medical treatment costs up to a maximum of CHF 1,000 per year³⁹. To be eligible for reimbursement, the employee needs to present the FO with the original receipts and a valid medical certificate. Glasses are included up to max. of CHF 200 per year and are part of the annual allowance of CHF 1,000 for the employee. Cosmetic surgery is not covered by HEKS/EPER. In case of any doubts, HEKS/EPER is entitled to appoint a medical practitioner of its choice to examine the patient and verify medical treatment and expenses.

The FO needs to generate a tracking file for all CO employees and the reimbursed medical expenses per person and annum (Annex 48). Upon presentation of the original receipts, the FO shall check whether the employee is still eligible for reimbursement of medical expenses, and whether the employee has already received the equivalent of CHF 1,000 as medical reimbursement. If eligible, the FO shall enter the amount to be reimbursed in the tracking file and follow the usual CO approval process and thereafter issue the payment in local currency to the employee.

The tracking file has to be verified and approved by the CD on a quarterly basis.

Occupational Accident

In the event that there is no accident insurance at the CO as described above, HEKS/EPER will pay for the medical expenses as follows:

If the occupational accident results in death, invalidity and/or an inability to work for more than six months, the indemnification will follow the local customs of the country.

In all other cases, HEKS/EPER will cover 100% of the medical expenses (hospitalisation costs included), which are directly related to the accident. Medical expenses and hospital fees following the occupational accident will be reimbursed on presentation of the original bills. HEKS may, at its discretion, appoint a medical practitioner of its choice to verify the medical treatment and expenses.

³⁷ If it seems unsatisfactory, the CD shall check with other local or international employers and NGOs on how they deal with the problem of health coverage and report these findings to the DO.

³⁸ Being the legitimate spouse and children.

³⁹ The limit of CHF 1,000/year and employee is a combined limit for non-occupational accident and health coverage.

5.3.4 Employee's Rights

Capacity Building

In the event that there are no local laws regarding staff development and capacity building⁴⁰, full-time employees are entitled up to five working days per year for staff development training (part-time employees are eligible on a pro rata basis). The advanced training assets can be accumulated for 2 years.

There are two possibilities for how HEKS/EPER can support its employees with their capacity building endeavours:

1. Either HEKS/EPER reimburses part of the training expenses. The amount needs to be determined according to the total costs of the training. In this case, the employee will need to take annual leave during the time of the training.
2. Or HEKS/EPER permits that the employee can participate in the training without having to take annual leave. In this case, the employee will need to pay for the training themselves.

In exceptional cases, it is also possible to grant time and cost compensation for training.

The requirements for the employee to apply for one of the above support options are that:

- The training brings added value to the employee as well as HEKS/EPER and it is directly related to the work of this employee.
- The training (content and reimbursement option of time or costs) is approved by the CD.
- In case of option 1, the training expense is budgeted for.
- The training preferably takes place within the same country that the employee works in. In exceptional cases, the training can also take place abroad.

Upon approval of the training, the employee need to sign a contract with the CO, defining the details of the training and the related costs, which of the above contribution option was agreed as well as the repayment to the CO if the employee leaves HEKS/EPER within two years after the training was completed. The contract template can be found in Annex 46.

Annual Performance Review

In order to assist all HEKS/EPER employees in developing their skills, each direct superior shall conduct a performance review with its employees on an annual basis. The annual appraisal does not replace regular feedback between the superior and employee during the year. The discussion will be on a mutual basis:

1. The direct superior reviews the employee's achievements, compares them to the goals that were set in the previous year and the employee's job description. Furthermore, the CD evaluates the employee's behaviour (individually and within the team). Additionally, the superior identifies potential for the employee's further development and sets new objectives for the upcoming year.
2. The employee can comment on the management skills of their direct superior, address concerns regarding communication or arrangements within the team, and/or can make suggestions for improvements.

The purpose of the annual appraisal is to foster a fruitful discussion between the superior and their direct employees as well as to identify potential for staff developments. The discussion shall be documented in Annex 42 and need to be signed by the employee, the direct superior and the CD. The appraisal of a CD needs to be signed by the DO and HoD. Thereafter, it shall be filed in the employee's personnel file. The outcome of the employee's appraisal impacts the annual remuneration adjustment. For further details, please read the [Usage of the Remuneration Scale chapter below](#).

⁴⁰ Such as the study fund in Israel/Palestine.

As this is a cascading process, the feedback of each team member towards its team leader needs to be provided to the superior of the team leader prior to the team leader's annual assessment meeting. This is necessary as this review of the team leader's management ability needs to form a part of the team leader's performance review.

As the performance review at the HQ takes place in October, the CD needs to ensure that all CO performance reviews have taken place and are documented up to 20 September. The CD shall send the DO the feedback from the CD's direct subordinates and shall arrange a performance review meeting with the DO in due course.

5.3.5 Termination / End of Employment

The employment ends without written notice of termination for the following reasons:

1. Upon expiry of the employment contract: If the employment contract is on a temporary basis, the employment ends on the date specified in the contract unless the contract is renewed by mutual agreement in writing for a fixed or open-ended period of time. If the contract is on a fixed basis, it is the responsibility of the FO to ensure that upon expiration of the employment contract a new one is stipulated and signed in due course. Also, the FO needs to check with the local lawyer whether it is possible to create several fixed employment contracts or whether the local law defines a specific amount of fixed contracts for the same employee where if this number is exceeded, the fixed contract is automatically transformed into an open-ended one. If there is such a local law, this needs to be documented in the local staff regulations.
2. Retirement: The retirement age as per HEKS/EPER standard is 65 years old. The employment ends on the last day of the month during which the employee reaches the age of retirement.
3. Invalidity and death: Please refer to the above [Health and Accident](#) paragraph.

Under normal circumstances, the employment with HEKS/EPER can be terminated in writing by either party with the termination period of 30 days during the first year of service⁴¹ at HEKS/EPER. Thereafter, notice has to be given 90 days in advance in written form. Upon request, its reasons have to be given in writing too.

HEKS/EPER retains the right to terminate an employee with immediate effect (with or without further legal consequences) due to any severe misconduct or disregard of any of HEKS/EPER's policies and regulations. In such cases, the employee loses their right to end-of-employment benefits, if they are not mandatory by local law.

The steps specified in Annex 49 need to be completed for any employee leaving HEKS/EPER. The filled in, signed and dated end-of-employment checklist shall be filed in the leaving employee's personnel file.

Severance

If a country's local social security system provides a pension scheme, HEKS/EPER does not pay any severance (end-of-contract payment) to its employees, unless it is required by local law. If there is a pension scheme as well as mandatory severance by local law, then HEKS/EPER will pay the severance contribution as required by local law.

The definition of a pension scheme is that (monthly/quarterly/annual) contributions are paid into an individual account per employee either at institutions which specifically exist for that purpose, large businesses or the government. The pension scheme often requires both the employer and employee to contribute money to a fund during the employment period. Upon retirement, disability

⁴¹ First year of service starts with the first day at HEKS/EPER = first day of probationary period.

or other defined circumstances, the employee's pension scheme account is used to provide defined monetary benefits.

If there are no pension schemes provided by the local social security system, HEKS/EPER will pay severance to its employees⁴² (with the exception of the expatriate employees who follow a different HQ process). The severance is paid to the employees upon their departure only and it is not permitted to pay out any accrued severance prior to the employee terminating their work with HEKS/EPER. As indicated above, the severance will not be paid if an employee is dismissed due to serious misconduct or disregard of any of HEKS/EPER's policies and regulations unless there is mandatory severance according to local law. In this case, only the mandatory severance amount will get paid out, even if this is less than the HEKS/EPER severance.

The severance contributions are calculated as follows:

The basis for HEKS/EPER severance is 1/12 of the annual total remuneration¹ for every year of service completed² with a cap of 12 month's salary³.

¹ The "total annual remuneration" amount is to be taken from the employee's placement in the CO remuneration scale. Consequently, the severance allocation of a year is equal to the employee's remuneration for this year. This also means that any interest earned on the severance provisions does not form a part of the payment to the employee but needs to get reallocated back to the CO (for further information, please refer to the [Current assets](#) chapter – "Bank – Retirement / Social Security Fund" section).

² A year completed means that the employee worked for HEKS/EPER for 12 months without any interruption. This means that if an employee worked, for example, for 2 years and 8 months, they will receive severance for 2 years.

³ After an employee has completed their 12th year of service with HEKS/EPER, the FO stops building up the severance provision for this employee any further. This means that the severance provision will reflect the annual remuneration of the first 12 years of service.

Depending on the agreement with the HQ and the local social security system, a CO either provisions for the severance in a separate CO bank account, pays the mandatory severance contributions to an external party within the country¹ or the HQ accrues for the CO's severance².

¹ If there are mandatory severance contributions by local law which are paid externally, this severance amount needs to be deducted from the HEKS/EPER severance and only the difference shall be provisioned for at the CO and accordingly paid out upon the employee's departure.

² If the HQ provisions for the CO's severance, the FO needs to send an overview table at year close (showing all details of the remuneration according to the local procedures and requirements) to the DO and Controlling, showing the details of how much the HQ shall accrue as the annual severance per employee. If an employee departs from HEKS/EPER in this provision set-up, the FO shall send the DO and Controlling a table with the total severance amount which needs to be paid out. Upon the DO's approval, the HQ will transfer the amount to the CO, which after all statutory deductions will include it in the employee's final salary payment.

For further instructions how to post the severance provision, refer to the [Current Assets](#) – "Bank – Retirement / Social Security Fund" section; [Retirement/Separation Fund Provision – Group Reporting Account No. 80](#) and [Total Salaries and Social Charges](#) chapters.

5.3.6 Remuneration and Expenses Reimbursement

Remuneration

The salaries, social charges, taxes, benefits and allowances are set by a remuneration scale. For further information, please refer to the [CO Remuneration Scale chapter below](#). The salaries are to be paid in local currency on a monthly basis⁴³ via a bank transfer to the employee's bank account. For further instruction, please also read the [Total Salaries and Social Charges chapter](#).

⁴² Employees are all people with a working contract with HEKS/EPER, whether from the CO or a self-implementation project. It is thereby not important whether the contract is fixed or open-ended.

⁴³ Meaning no later than the last working day of the month.

Upon receipt of the monthly salary, the employee shall verify the salary received and report any discrepancies immediately to the FO.

Depending on the local law, HEKS/EPER is responsible for withholding all taxes and statutory deductions as the employer and for transferring it to the respective institutions. For the remainder, the employee is liable for their legal and other obligations with respect to taxes and duties.

Travel Expenses

Any employee who is required to travel for work purposes is entitled to have the travel expenses⁴⁴ compensated. All travel expenses shall be kept as low as possible and need to be approved in advance according to the Rules of Financial and Material Responsibilities (Annex 6).

There are two options for how to pay for the employees' travel expenses: per diem or reimbursement of actual costs. HEKS/EPER prefers to reimburse travel expenses based on actual costs.

Per Diem

If a CO grants a per diem, it needs to have a clear per diem policy defined in the staff regulations. This table needs to follow the below rules:

- No difference in per diem amount is made between different positions.
- Per diem for travel to rural regions is paid at a lower rate than for cities.
- Per diem amount for HEKS/EPER is within the lower average range of the NGO benchmark⁴⁵.
- A per diem can be split into three parts: lunch, dinner, and general expenses. The general expenses include any accommodation and breakfast costs.
- A full per diem is only granted if the person stays away overnight. If only a part of the day is spent travelling, only the respective portion of the per diem is to be paid to the employee.
- There are no "hardship" components permitted in the per diem policy (it is not permitted to increase the usual per diem by e.g. 10% because an employee needs to stay in a certain region).
- There is no per diem for communication that is paid for all trips upfront. Communication costs are reimbursed based on needs.

If a CO has a per diem policy, the FO pays the respective per diem amount to the employee prior to their trip and no additional actual expenses are reimbursed thereafter, even if the actual expenses were higher than the per diem.

Reimbursement of Actual Costs

If the CO chooses to reimburse the travel expenses based on actual costs, it is possible to grant a working advance to the employee for the upcoming travel. Please read the respective section in the [Accounts Receivables](#) chapter for further instructions on how to grant and reconcile working advances.

As travel costs need to be kept as low as possible, only the following expenses are reimbursable:

- Train – the costs for economy or second class tickets (or its local equivalent).
- Aeroplane – whenever possible a low-price ticket must be posted. Any change to the route for private reasons is not reimbursed by HEKS/EPER.
- Taxi – taxi costs are fully reimbursed if the CO has no vehicle and the travel destination cannot be reached by public transport or if the security situation does not permit using the public transportation.
- Accommodation – when the hotel costs seem reasonable in the local context. Breakfast should be included or added to the accommodation costs. Private expenses (private phone calls, minibar, etc.) must be deducted from the invoice.

⁴⁴ Meaning travel ticket cost, accommodation and food.

⁴⁵ For the definition of the CO's per diem table, the CO shall provide the DO with information about the per diem ranges of several other international and national NGOs.

5.4 CO Remuneration Scale

This chapter discusses the standardised process for how the remuneration scales of HEKS/EPER staff abroad are generated. This will result in three main advantages: 1) HEKS/EPER's remuneration is compared to similar organisations in the local market to ensure its competitiveness, 2) the remuneration (annual salaries and all other benefits) per function level as well as potential remuneration increases are documented, and 3) it supports the HQ in its attempts to ensure horizontal and vertical salary fairness and transparency.

5.4.1 General Principles of a Remuneration Scale

HEKS/EPER provides remuneration and working conditions that are competitive enough in the local market to attract and retain well-qualified staff. At the same time, HEKS/EPER stays true to its responsibility to donors and people of concern in spending entrusted funds in a careful and transparent way.

The scale is generated for the total remuneration, meaning the annual gross salary including all other employee benefits such as 13th month salary, pension fund, severance, travel/phone allowances, etc.

The remuneration scale as well as the peer review is generated in local currency, and in reporting currency to HQ. In the event this currency does not match with the currency in the employment contract or the currency in which the employees are actually paid, please contact the DO, copying in HQ Controlling, in order to discuss further steps.

Once generated, the scale should be practical to apply without creating extensive administrative burden.

Every five years, the remuneration scale needs to be revised by the CO and be submitted to the HoD and HoC for approval.

5.4.2 Generating a Remuneration Scale

The functional level structure of the CO Remuneration Scale is fixed and is defined as follows:

- a. Guard, Caretaker.
- b. Driver.
- c. Admin/Project Assistant, Secretary, Accountant (if without tertiary education / not much work experience).
- d. Project Officer (tertiary education, no team-leading responsibility, project responsibility), Accountant (tertiary education / considerable work experience).
- e. Programme Manager, (tertiary education, team-leading responsibility, financial competencies/responsibilities, programme responsibility), FO.
- f. Country Director⁴⁶.

There are two different ways to gather the input data for the remuneration scale: by peer review or by external consultancy.

A. By External Consultancy – Annex 44

Depending on the decision of the HoD and DO, it is possible to contract an external consultancy company to conduct an independent remuneration review within the local market. The minimum requirements for such an external report are:

- General explanation of the local market, discussing the mandatory system elements such as tax structure, social charges, severance (if applicable) and reporting/payment requirements. Moreover, it is important that the calculation of each benefit is outlined, showing which portion is borne by the employee and the employer.
- Clear definition of the job positions/functional scales and the responsibilities in order to ensure that similar positions are being compared with one another.

⁴⁶ All responsibilities cascade according to the hierarchies: Even though the programme manager has e.g. the financial responsibility for their respective programme, the CD takes on financial responsibility for all CO projects.

- The comparison of the CO remuneration with similar job positions in the local market (i.e. NGOs, NPOs as well as private industry). The remuneration to be compared comprises the total benefit packages, i.e. base salaries, fixed cash allowances (e.g. for travel/phone), in-kind benefits, social charges, pensions, medical plans and severance (if applicable).
- The data of the remuneration shall be displayed per position, indicating a min. and max. remuneration as well as the market mean. The CO remuneration shall be positioned within this scheme.

The HQ recommends the consultancy company “NGO Local Pay”, which has experience with gathering remuneration information in various countries. If NGO Local Pay is chosen, it is important to communicate to the consultant that HEKS/EPER has standardised how the CO’s job positions are placed within the NGO Local Pay functional ranking.

Once the report is generated by the external consultancy, the data shall be entered into the HEKS/EPER remuneration scale scheme (Annex 44). Thereafter, the remuneration scale scheme shall be sent to the DO for review and the steps detailed in chapter 5.4.3.

B. By a Peer Review – Annex 45

If the HoD and DO have decided that the CO shall conduct its own peer review, the process is as follows:

1. The CO needs to assess the current situation on the local market by a peer review of at least three other comparable organisations (NGOs, NPOs and private industry). The selection criteria for the respective peer organisations can be, for example, annual funding volume, type of work, number of employees, whether there is local or expat management, number of mandates, etc. The CO shall send the names of the peer organisations as well as the reasoning for why they are a good comparison for the CO to the DO and HoD for approval prior to contacting them.
2. Upon the DO’s approval, those peer organisations are asked by the FO / CD to provide their remuneration ranges for the similar functions as defined in the CO’s functional levels (see above for the definitions). It is critical to ask for the total remuneration (meaning annual salary plus all other benefits) and not only for the gross salary.
3. The FO shall enter the information gathered by the peer organisations into HEKS/EPER’ remuneration scale (Annex 45). Also, the names and contact details of the people who provided the information about the peer organisation’s remuneration information need to be indicated in the template.
4. Thereafter, the remuneration scale scheme shall be sent to the DO.

5.4.3 Process Once the Remuneration Scale Data is Filled In

1. Based on the data input, the HoD will decide upon which mid-point shall be taken for each functional level and enter it in the remuneration scale template. It can be the median, the average, the minimum remuneration, the market reference point (MRP), the maximum remuneration or any other amount⁴⁷. For choosing any other amount, the “other” option
2. in the dropdown list is selected and the desired scale midpoint amount is entered directly into the scale.
3. Excel will then calculate the remainder automatically so that functions A and B have a range of 60% and the rest have a range of 30% (minimal gross remuneration: 100%, maximal remuneration: 130%).
4. If the scale is created for the first time, the DO and HoD will determine where each member of the current CO staff will be placed in the scale. In order to enable the HoD to do so, the FO shall list the required information about the CO staff in the “CO Staff Placement” Tab.

⁴⁷ Please note that the minimum and maximum remuneration as well as the MRP are only eligible in the case of remuneration review by external consultancy.

5. After the placement of the CO staff in the scale, the FO fills in the “Splitting of the Remuneration into Salary Components” table by allocating the total remuneration per person into the various categories. The check in column AB always needs to be zero.
6. Thereafter, the FO fills the final table, indicating the number of salaries paid out per year as well as the monthly payout per employee.
7. The completed scale needs to be sent to the DO for final check. Thereafter, it needs to be approved by DO and by the HoD.
8. Upon approval, the CD and the DO send a letter to each member of the CO staff to inform them about the scale and potential remuneration changes. The DO signature shall hereby express the HQ support of the employees’ remuneration changes. An example template is provided in Annex 43, however the CO can choose to write another letter to inform its employees. It is critical that all remuneration changes are documented in writing and that the documentation is also filed in each employee’s personnel file.

The employee’s placement in the CO’s remuneration scale is to be treated as confidential. The remuneration scale can be shared across the CO.

5.4.4 Annual Adjustment of the Remuneration Scale

On an annual basis, the scale can be adjusted to compensate for inflation. To do so, the CO submits Annex 1 and 2 filled in with the official inflation rates of the government, the Central Bank, the IMF (<http://www.imf.org/external/index.htm>), the Consumer Price Index and the OECD (<http://www.oecd.org/>) or any other documental source. Should the annual inflation rate not be published yet, the CO shall provide the average inflation rate of the past 12 months (if the last published inflation rate is from October 2016, the CO shall send the average inflation rate from Nov’15 – Oct’16).

It is essential that the CO attempts to provide as many of the above inflation rates as can be found in the news, Google or the above homepages. Based on this information, the HoD will take a decision whether or not to adjust the remuneration scale and if so, by which adjustment rate. It is important to note that only the functional levels that were categorised as staff levels will benefit from the full adjustment rate. The ceiling for the inflation adjustment of the management levels is the amount of the remuneration scale position D21. Remuneration above this amount will not be adjusted for inflation. For example, the highest remuneration of the highest staff level (D21) is CHF 150. The CD earns CHF 200 as a total remuneration. Accordingly, only the CHF 150 will be adjusted for inflation, while the remaining CHF 50 (200 – 150) remains unadjusted.

Should there be any other adjustments or any fixed amounts for allowances (which cannot be reduced proportionally to for part-time employment) that are mandatory as per local law, the CO shall send the DO, copied to the HoD, an excerpt from the respective legal clauses and have it approved. Once approved, Controlling will do the respective manual changes into the CO’s remuneration scale.

5.4.5 Usage of the Remuneration Scale

Each employee’s work contract needs to clearly state the person’s functional level and position so that it is clearly identifiable in the remuneration scale. It is not possible to switch to another functional level without a promotion and consequently a change of contract. A change of position requires DO approval.

Employees receive remuneration equal to the scale steps. This means for example that if the scale contains the steps \$200 and \$300, an employee cannot receive a remuneration of \$250.

The remuneration scales indicate the remuneration range for staff working full-time. Should an employee work less than full-time, the remuneration will be reduced proportionally to the hours worked.

Depending on the outcome of the annual appraisal (as outlined in the [Employee’s Rights chapter above](#)), the CD and DO can jointly suggest to the HoD moving an employee to the next higher step of the scale as of 1 January of the next year. However, this promotion to the next scale step is not

automatic but needs clear reasoning why the person deserves to be moved to the next position. Also, it is required that there is sufficient CO budget available. Should the performance not justify a remuneration increase, the person stays for another year on the same scale position. The final approval of whether and how a person moves on the scale lies with the HoD.

Should an employee perform extraordinarily well and have carried out extra tasks outside of their normal job position during a year, the HoD can approve a one-off bonus of max. 4% of annual gross salary.

The CD and DO are not authorised to process remuneration increases within the year if there is no change of job role. To avoid any ambiguity: It is not permitted to increase any salaries during the year and all salary increases have to take place on 1 January.

In the event of a hyperinflation, meaning that the inflation rate increased by more than 20% since the last adjustment of the remuneration scale, the CD can take up the discussion with the DO and HoD. It will be decided on a case-by-case basis how the situation will be handled.

Should a person reach the maximum of the remuneration scale range of their functional level, they will stay there with no further increase of their remuneration (other than any annual inflation adjustments granted by the HoD).

New employees are to be placed in the scale according to their experience and background in relation to the other CO staff members. The placement needs to be approved by the DO and HoD.

6 Partner Organisations

6.1 General

The CO has the task of monitoring the projects of partners both in terms of programme content and from a financial perspective. The FO is responsible for all financial matters and processes. Amongst other things, the FO has the following tasks with regard to partner organisations:

- Monitoring of the administrative organisation.
- Training of the finance and administration staff of the partner organisations.
- Monitoring the partner's budget and accounting.
- Monitoring the various financial reports.
- Monitoring of the flows of funds between HQ and the partner as well as between CO and the partner.
- Checking signature regulations.
- Checking and approving the quarterly cash forecast of the partner organisations.
- Checking and approving the audits of partners.

A project can only start once the project and all its documents are fully approved at the HQ and the contract is signed in a legally binding way. This means that prior to the signing date, no payment can be issued by the HQ and no expenses incurred prior to the start date of the project period will be accepted for reimbursement by HEKS/EPER. An exception to this rule are the HA projects where payments can be issued according to HQ task force approval. Any other exceptions to this rule need to be approved and justified by the HoD.

For all partners, the bank account information needs to be entered into the respective box of the partner agreement (Annex 21), which needs to be supported by confirmation from the bank or a bank statement. Once the contract is signed, the AA will enter this bank information into the HQ IT system.

Towards the end of the year, the CO ensures that as little money as possible (e.g. only the agreed upon financial float) is still held by the partner in order to avoid the accumulation of unspent funds at partner organisations. However, continuity should be guaranteed, meaning that the partner organisation must have enough funds available until the next payment.

6.2 General Partnership Requirements and Criteria

6.2.1 Introduction

A good project idea falling within the country programme of HEKS/EPER is the main driver for a possible partnership between a partner organisation and HEKS/EPER. However, for the successful collaboration with partner organisations, HEKS/EPER insists on the so-called minimum requirements and criteria. These requirements and criteria include the basic operational and administrative set-up for the management of a partner organisation. In addition, for each potential partner a partner assessment must be completed. This assessment includes the HEKS/EPER Partner Organisation Check (Annex 55) and the Mango Health Check (Annex 56).

If important parts of the minimum requirements are not met, it is possible that the project will not be approved by the CO and DO with this partner organisation. If this is the case, the CO shall communicate the reasons to the partner organisation in order to give them the opportunity to improve their processes and standards so that future collaborations can be possible.

HEKS/EPER will determine whether the project can still be started with the partner organisation based on the condition that there is an established plan between the CO and the partner organisation for how the requirements can be achieved as soon as possible. If there is no clearly expressed goal, willingness and ability of the potential partner to meet minimum requirements, HEKS/EPER will not continue or start cooperation with the partner organisation.

As processes and organisations change, it is recommended to repeat the partner assessment towards the end of every project prior to starting to plan a new project phase.

6.2.2 Minimum Requirements with regard to HEKS/EPER Values and Principles

<https://en.heks.ch/node/601#values>

The partner organisation:

- Adheres to values of justice and peace.
- Adheres to the human rights-based approach.
- Considers that all human beings are equal irrespective of gender, nationality, ethnic and religious background as well as their opinions.
- Acts according to the principle of non-violence.
- Is transparent towards its partners and employees in terms of finance, principles, internal regulations, approaches and working methods.
- Has a willingness to coordinate and cooperate with all different actors as well as different denominations.
- Does not offer a third party – nor seeks, accepts or is promised directly or indirectly for themselves or for another party – any gift or benefit which would or could be construed as an illegal or corrupt practice.

Further, the partner organisation:

- Acknowledges the role of HEKS/EPER.
- Communicates with other HEKS/EPER partners in the region.
- Works in one or several relevant networks.
- Strives to develop professional cooperation and constructive interaction with the relevant authorities and ministries.
- Complies with HEKS/EPER financial rules and regulations.

6.2.3 Criteria for a Successful Collaboration with HEKS/EPER

Legitimacy of Action in the Field

The partner organisation:

- Is acknowledged by the beneficiaries as legitimately entitled to act in the given context (thematic, cultural, ethnic, religious and geographical).
- Is accepted by the local community and authorities.

Structure and Capacities of the Organisation

The partner organisation:

- Has sufficient operational capacity to achieve its goals and implement all projects.
- Has a lean, efficient infrastructure limited to the necessary minimum.
- Has potential and willingness for organisational development and mutual learning.
- Aims for the self-sustainability of its beneficiaries.
- Has project/programme management skills (planning, monitoring, reporting, evaluation) as well as the required financial and administrative capabilities.

Regarding the last point, it should be noted that the partner organisations' knowledge and know-how of project/programme cycle management varies strongly. Therefore, HEKS/EPER adapts its mode of cooperation according to the partners' capacities.

6.2.4 Legal Requirements

HEKS/EPER's partners must meet legal requirements, which include:

- Being registered as a not-for-profit and/or non-governmental entity with a government department.
- Submitting annual accounts to the government, if required.
- Having permission from the government to cooperate with international donors.
- Keeping accounts records and all other relevant project documents for a minimum of 10 years.
- Following the rules and statutory obligations regarding the payment of income tax, social insurance and other charges for their employees.

- Making sure that employment contracts comply with labour law.
- Following other relevant laws, e.g. with regard to political activities, tax payment, trading or handling foreign currency.

The law is different in every country. It is important to obtain advice about the law that applies in the specific country. If a partner organisation breaks the law, they risk various problems, such as being issued with a large penalty or even having to shut down the project and/or the organisation. If a partner organisation is not compliant to any local laws and customs, it has to inform the CO & HQ in writing.

6.2.5 Financial Requirements

The partner organisation:

- Has a separate bank account for the HEKS/EPER project, which is registered in the name of the organisation. The bank account needs to have joint signature rights of at least two people.
- Makes payments by bank transfer, whenever possible. If a bank transfer is not possible, the partner organisation shall issue cheques and only as a last option shall it pay in cash.
- Ensures that all expenses being charged to the HEKS/EPER project are approved and substantiated with valid invoices (for more information, please refer to the [Procurement](#) as well as [Documentation and Filing](#) chapters). These are to be securely filed and stored for the required minimum period.
- Allocates the expenses to the appropriate budget line, even if the budgeted amount is already fully utilised. This needs to be discussed in advance with the CO.
- Has a petty cashbook for all petty cash transactions and a separate book for any bank transactions. Both are reconciled on a monthly basis.
- Has a chart of accounts – used consistently in the accounting records and budgets.
- Has a project budget, detailing expenses and anticipated income for the whole project. The budget needs to be based on the project activity plan and it needs to be generated with clear calculations and notes for general costs, which are shared with other projects (e.g. rent). For further information, please refer to the [Budget](#) chapter in the finance chapter.
- Has clear delegation of authority – from governing body through the line management structure.
- Segregates duties – sharing finance and purchasing duties between at least two people (four-eyes principle).
- Keeps additional accounting records when staff are employed or assets owned.
- Charges HEKS/EPER based on actual expenses and not a lump sum of the budget.
- Has a chart of accounts for the project which is based on the structure of the budget in order to facilitate budget allocation and control.
- Creates a cash flow forecast (for further information, please refer to the [Cash Flow Forecast](#) chapter in the finance section).
- Uses cost object / cost centre when working with multiple donors and/or projects.
- Confirms the receipt of any payments by HEKS/EPER according to the HEKS/EPER policy (please refer to the “[Transfer to project partner](#)” chapter) and reports any transfer delays, large FX losses (if applicable) as well as any other payment-related issues as soon as possible to the CO.
- Provides budget vs. costs report to HEKS/EPER at the times defined in the contract. For further information, please refer to the [Finance](#) chapter.
- Conducts an annual audit if the HEKS/EPER contribution amounts to more than CHF 100,000 per year. The audit shall be carried out by an independent, certified external auditor according to international standards and the Terms of References of HEKS/EPER (Annex 50), which are part of the Partner Agreement (Annex 21).
- Has written policies and procedures, including a code of conduct for the humanitarian context for staff and board members as well as a reasonable purchasing procedure.

6.2.6 Procurement Requirements

The partner organisation has and respects clear guidelines of procurement such as:

- Best value for money.
- Strive for genuine competition.
- Fairness, integrity and transparency.
- Suppliers are not related to staff members (relatives, close friends).
- No kick-backs are accepted by any person involved in the purchasing procedure.
- Receipts of invoices are always available and checked by two people.
- Clear pre-approval procedure (purchase requests) for all expenses and purchases. For purchases above an amount defined in the delegated authority rules, always min. 3 offers are part of a selection process and for purchases exceeding a defined amount in the delegated authority rules, a public tender procedure is followed (for further information, please refer to the [Procurement](#) chapter).
- No purchases on the grey or black market are done.
- The list with the above-mentioned points is not exhaustive. Additional information is provided in the [Finance](#) and [Procurement](#) chapters regarding the CO.

6.2.7 Human Resources Requirements

The partner organisation:

- Employs people on a non-discriminatory basis.
- Has a written and valid working contract for every employee, including job descriptions.
- Has a code of conduct that is signed by all employees and board members.
- Offers decent working conditions with training opportunities for the employees.
- Fulfils all the duties of an employer (e.g. payment of tax and statutory obligations, salary payment on a monthly basis, valid contracts including job descriptions and staff regulations, holidays and working hours according to local legislation).
- Has a clear good governance policy.

Proper treatment of employees can help to create a good working atmosphere and prevent people from committing fraudulent acts.

6.3 CO Support of the Partner Organisations

6.3.1 General

As outlined above ([Criteria for a Successful Collaboration with HEKS/EPER](#) chapter), there are different capability and knowledge levels at the partner organisations in terms of financial, administrative and organisational management. To accommodate this, the CO needs to support the partner organisations according to their respective needs. The measurements can vary from e.g. capacity building events together with other partner organisations to the FO and partner organisation generating the quarter close report and budget comparison together.

As a general rule, the FO is responsible for supporting the partner organisations with all their questions regarding financial and administrative management. For doing so, it is recommended that the FO shall spend at least 10 days per month visiting partner organisations for checks and training. The CO's daily financial and administrative business can either be carried out by the accountant (if applicable) or during the remaining time when the FO is not traveling. It is highly recommended that the FO sets up a quarterly partner visiting plan, which is discussed with the CD as well as shared with the respective POs. Due to the close link between finance and programme achievements, it is sensible that the PO joins the FO for finance visits. After each of these visits, the FO shall create a small report or an action plan which discusses the issues, findings, and outcomes of discussions. The action plan shall have dates, which are agreed with the partner organisation, until such time as the issues have been resolved. The action plan needs to be shared with the partner organisation, the CD and the respective PO. If there are critical issues, it shall be sent to the DO as well.

During the visit, the FO shall check the partner's progress on the implementation of the improvement plan (see [Introduction](#)), if applicable, as well as its improvement on the matters raised during the FO's last monitoring visit. Moreover, the FO shall check whether the partner organisation adheres to HEKS/EPER's procedures as outlined above or in the [Finance](#), [Procurement](#), [HR](#) and [Internal Audit \(CO and Partner -Organisation\)](#) chapters). Furthermore, the FO shall train the partner organisation on the HEKS/EPER budget and financial reporting template as well as any other questions in regards to finance, procurement, HR and administrative matters. It is possible to train a partner on a one-to-one basis or to group partner organisations with similar issues together and to conduct joint training (either led by the FO or by an external consultant/trainer). In the latter case, the expenses of such training can be borne by the country's capacity building project. For further information about the capacity building project and its approval process, please refer to the PCM Manual and the Project Approval Process Instructions.

6.3.2 HA Projects and Mandates

Depending on the project size and strategic importance, the HoID shall decide whether the project management shall be conducted by partner organisations with the support of the CO or whether the project is to be managed onsite by an expatriate. As a rule of thumb, HA projects and mandates with an annual budget of over CHF 1,500,000 should be managed by a HEKS/EPER expatriate.

7 Mandates

7.1 General

In contrast to the projects, mandates are contract work that must be carried out according to the specific specifications of the institutional donors according to the contract. The institutional donors are often governmental institutions such as the SDC or a department of the EU administration. However, private organisations and foundations may also be institutional donors. The reporting requirements of the various institutional donors are different and it is essential that those are adhered to. This means that the narrative and financial reporting of each mandate varies. The DO and CO are responsible for compliance with the directives.

From an administrative and financial point of view, it is important to pay attention to the complete documentation of every business transaction (for further information, please refer to the [Payments](#) and [Documentation and Filing Standards](#) chapters. It is very important that the working expenditures and time reports of employees who do not exclusively work for the mandate but also for other projects (especially in administration and management) is clearly documented regarding which expenses and time are allocable to the mandate.

A detailed inventory list of necessary equipment and material ordered for the mandate shall be drawn up and be constantly updated.

For every mandate, a separate bank account shall be opened at the partner/PIU in the respective country. Any bank interest has to be credited to the mandate as other income and needs to be deducted from the final transfer.

As institutional donors may at any time inspect and request information on all matters concerning the agreement, bookkeeping, filing documents etc., everything has always to be up-to-date.

All documents of any HEKS/EPER project, whether they are with the partner organisation or the CO, are required to be kept for 10 years. This is also true for mandates. For further information, please refer to the [HEKS/EPER's Documentation and Filing Standards](#) chapter.

All amendments to the agreement, to the general conditions, to the other annexes to the agreement or to any other attached documents must be drawn up in writing.

In general, the following applies:

- First national law.
- Then the guidelines from the institutional donor.
- Then the F FAG guidelines.

If the guidelines of the institutional donor violate those of the country, the national law applies. Such a violation needs to be highlighted and discussed with the institutional donor.

7.2 Mandate Reporting

Reporting period: At the dates and pursuant to the procedure stipulated in the respective mandate agreement, but as a requirement also at the end of every calendar year (e.g. 01 January to 31 December).

The reporting responsibilities are similar to the requirements for regular projects.

The financial reporting packages for mandates always comprise the following:

- Budget/financial report on project costs with explanation to deviations.
- Timesheets of involved CO staff as well as HQ staff.
- Vehicle fuel and kilometres – logbook on CO level with clear allocations to the mandate.
- Travel costs receipts and air travel costs for CO staff and HQ staff and consultants (boarding pass as this provides that the journey was actually made).
- Any other expense receipts at CO or HQ level.

Annual audit – the audit should be carried out under terms of references developed with the institutional donor in advance. The audit should be conducted by a public audit firm with international standards and suitable experience. Therefore, the institutional donor should be consulted prior to selection of the auditors.

8 HEKS/EPER's Good Governance Policy

8.1 Purpose of the Anti-Corruption Measures

8.1.1 Definition: Corruption

Corruption is defined by Transparency International (TI) as **misuse of a position of power for personal gain**. Anyone who abuses a position of trust or power in order to obtain an unwarranted advantage is acting corruptly. The concept of corruption is defined in more detail in the HEKS/EPER Anti-Corruption Code of Conduct as **coercion, active and passive bribery, and granting and accepting favours**.

Corruption can be caused internally or externally. **External corruption** is when corrupt pressure is brought to bear from the environment, for example when an official demands a bribe. However, if a project worker misappropriates money, this is **internal corruption** (even if the misappropriation does not come under the definition of corruption from the legal viewpoint). HEKS/EPER is aware that both causes can arise in combination, and that the forms of corruption may overlap.

8.1.2 Purpose of the Anti-Corruption Concept

Many employees have come across situations of corruption in the course of their work. HEKS/EPER project countries include states which have been identified as particularly susceptible to corruption by Transparency International. Corruption prevents poverty being combated efficiently and hampers a country's sustainable development. Where corruption happens, the effect of the work by HEKS/EPER is also restricted.

Active corruption prevention and consistent anti-corruption measures contribute to preventing corruption. HEKS/EPER construes the battle against corruption as a contribution to the targeted, contractually and legally proper use of funds entrusted to them. An explicit stance on the part of HEKS/EPER as an organisation provides support for staff members who find themselves in difficult situations.

This Anti-Corruption Programme is intended to contribute to:

1. Preventing corruption.
2. Uncovering potential and actual cases of corruption.
3. Punishing abuses consistently.

Transparent action on the issue of corruption increases the credibility of HEKS/EPER and reduces the risk that potential future corruption cases could harm the organisation's reputation.

The corruption programme encompasses organisational measures, codes of conduct and IFRC code of conduct for the humanitarian context, and guidelines for collaboration with partner organisations, as well as communication measures. It is based on Transparency International's Anti-Corruption Guidelines for Non-Governmental Organisations.

For further information and training tools please refer to Transparency International, London, UK.

www.transparency.org/en

8.2 Anti-Corruption Measures

8.2.1 Principles

Zero Tolerance

All forms of corruption are prohibited at HEKS/EPER.

Safety

The safety of staff members is a higher priority than the zero tolerance principle (for further information, please refer to the HEKS/EPER security policy).

Confidentiality

The identity of persons who voice suspicions about corruption will be protected. Information concerning suspicions will be treated as confidential. A presumption of innocence applies to persons suspected.

Coherent Sanctions Policy

If a case of corruption is proven, the staff members involved will be sanctioned.

Creating Transparency

The stakeholders involved will be informed about cases of corruption discovered, provided that this is compatible with protecting whistle-blowers.

8.2.2 Anti-Corruption Officer

Implementation of the anti-corruption concept will be ensured by an Anti-Corruption Officer at HQ, and by a focal point person in the programme countries.

8.2.3 Anti-Corruption Officer at HQ (ACO HQ)

The HoID appoints an Anti-Corruption Officer at headquarters (ACO HQ) for three years at a time. They support the country programmes in implementing the measures and coordinates the standardised application of the rules. They report directly to the HoID.

Their tasks comprise, in particular:

- Running the central reporting unit (whistle-blower channel), to which staff or other stakeholders can report their suspicions of corruption in confidence.
- Collecting and analysing all corruption cases.
- Preparing reports for internal communications.
- Creating a register of all cases.
- Being the contact for the HO staff.
- Organising workshops for HO and Partner staff.
- Increasing awareness of headquarters staff.

8.2.4 Anti-Corruption Officers in the Programme Countries (ACOC)

The Anti-Corruption Officer in the country office (ACOC) will be appointed by the CO and the DO. They are responsible for the implementation of the anti-corruption programme in their country programmes. On request, they will be supported by the Anti-Corruption Officer at headquarters. They are the local contact point concerning corruption issues for HEKS/EPER staff or partner organisations as well as the local population. They personally investigate any suspicions expressed or gives the necessary instructions for so doing. One of their tasks is to give staff appropriate training and promote exchange of experience. Project beneficiaries can also help to uncover corruption or other criminal acts. HEKS/EPER advocates beneficiaries being informed before, during and after the project about budget components that affect them, the forecast and actually achieved project goals and the corresponding expenditure.

8.3 Reporting System for Whistle-blowers

Purpose

Whistle-blowers are staff of HEKS/EPER, partners or external persons who wish to report a suspicion of corruption, other criminal acts or, in general, breaches of the Anti-Corruption Code of Conduct. HEKS/EPER sets up a reporting system that is easy to access for all staff and external persons so that whistle-blowers can report their concerns while being protected from reprisals such as dismissal or discrimination. The identity of the whistle-blower is kept secret from third parties.

Reporting Suspicions

In the case of a well-founded suspicion, staff in the programme country are obliged to report the case for investigation. The following channels can be used:

- Report via the HEKS Integrity Line. It is operated by the Compliance Office at Headquarter. The HEKS Integrity Line guarantees the whistleblower's anonymity and ensures that their identity cannot be traced by technical means. Access to the HEKS Integrity Line is possible on the HEKS/EPER website or via the Intranet Sharepoint site.
- Report to the ACOC. HQ staff inform the ACO HQ.
- Report by e-mail to **whistleblowing@heks-eper.org** or **whistleblowing@eper** (run by the Compliance Office at HQ)

Suspicious must be well-founded, individuals who circulate suspicions maliciously or harm the reputation of suspected individuals will be sanctioned.

Verifying the Report

The ACO HQ shall launch an investigation, together with the focal point in the country, which is proportionate to the context and scale of the case. The bodies charged with the investigation shall carry it out independently and impartially and report to the central reporting office.

The person accused must be given the opportunity to respond to the allegations and present their position and the context of their action.

Handling Violations

In the event of violations, HEKS/EPER shall seek appropriate solutions: these may, for example, include stopping or claiming back payments, disciplinary measures, termination of an employment or cooperation contract, suspension of a project or pressing of criminal charges.

The HoID decides the appropriate sanctions and measures. They shall handle feedback with the office to which the person to be sanctioned reports directly, or is responsible for the area of work directly affected by the measure.

8.4 Personnel Policy

When recruiting staff, the necessary attention is to be devoted to the corruption prevention aspects (e.g. checking references). All staff commits themselves, when signing the Code of Conduct and IFRC Code of Contact for humanitarian contexts, to acting according to the anti-corruption rules of HEKS/EPER. See also the [HR](#) chapter.

8.5 Collaboration with Partner Organisations and Consultants

Potential project partners are analysed before collaboration with regard to their policy concerning anti-corruption. The ACOC shall ensure that partner organisations and consultants are informed about the HEKS/EPER Anti-Corruption Measures.

The following anti-corruption clause will be inserted into all cooperation contracts with local partner organisations:

“The parties to the contract undertake neither to offer advantages of any kind directly or indirectly to third parties, nor to accept gifts directly nor indirectly for them nor for others, nor to give or promise other benefits, which are considered unlawful practice or could be viewed as bribery. In the event of violations, HEKS/EPER may terminate the contractual relationship, cease payments, claim back payments already made and press criminal charges. HEKS/EPER reserves the right to inspect the accounts for all project receipts and expenditure, and if necessary, to demand a special external audit.”

The following clause will be inserted into future consultant contracts:

“The parties to the contract undertake neither to offer advantages of any kind directly nor indirectly to third parties, nor to accept gifts directly or indirectly for themselves or for others, or to give or promise other benefits, which are considered unlawful practice or could be viewed as bribery. In the event of violations, HEKS/EPER may terminate the contractual relationship, cease payments, claim back payments already made and press criminal charges.”

8.6 Training

The ACO HQ and the ACOC are made aware at least every two years about the current status and experience with the Anti-corruption Programme and about corruption issues. They are to inform and make national staff aware and train them about their conduct in situations susceptible to corruption.

8.7 Communication Strategies

The ACO HQ shall draw up a plan of measures for internal and external communication establishing how corruption prevention as well as actual corruption cases and their handling is to be reported, and which communication strategies are to be pursued for staff, partners, consultants, donors, etc.

8.7.1 Internal Communication

To ensure that the measures of the anti-corruption programme are effective, the staff must continue to be made aware about the issue of corruption and be familiar with the planned programme. Possible measures include:

- Information about the anti-corruption programme, e.g. in “internal” and ID meetings.
- Information about dealing with completed cases, e.g. internally.

8.7.2 External Communication

HEKS/EPER shall inform the public about its efforts to prevent and combat corruption. If corruption cases arise, internal and external stakeholders are to be informed about them appropriately and as transparently as possible. Possible measures include:

- Publication of the Anti-Corruption Code of Conduct on the website.
- Information using case studies about how HEKS/EPER deals with corruption.
- Open dialogue will be sought with local partners about corruption risks, to reinforce the fight against corruption as part of the organisational culture of our partners. HEKS/EPER tells its local partners that they will counter corruption risks jointly in development cooperation.
- Project beneficiaries will be made aware of corruption issues and referred to the reporting units available.

9 IT (Information Technology)

9.1 Introduction – Purpose and Scope

This chapter governs the use of hardware and software, Internet access, cloud services and the handling of emails for all users of the HEKS/EPER IT systems. It encompasses secure use of the systems as well as correct and secure processing and classification of data.

When using HEKS/EPER IT systems, all users must comply with all the prevailing provisions and use their systems with due care. Supervisors at all levels are responsible for compliance with this instruction within their sphere of responsibility. Every CD has to appoint an IT-supervisor in the CO. This document applies to all staff of HEKS/EPER, staff of external contractors (including consultants) as well as all people who are allowed by HEKS/EPER to use and apply IT resources.

9.2 Instructions for Dealing with Hardware and Software

9.2.1 Responsibility

Generally, all users are personally responsible for using their system. The overall responsibility for the IT System at the CO lies with the CD.

If a staff member discovers a security gap in the IT system, the IT management at HQ – helpdesk@heks.ch – is to be informed immediately.

9.2.2 Hardware

In general, all IT hardware and office machines must be purchased locally to ensure entitlement to the necessary guarantee and support. The purchase procedures mentioned under the [Procurement](#) chapter must be followed.

Computer

All computer purchases must correspond to actual needs. The following needs to be considered when purchasing a computer:

- Best value for money.
- Local support must be guaranteed.
- Guarantee for hardware for a minimum of one year must be included.

A leaving employee must hand over their computer and other equipment to the CO. The returned equipment shall then be utilised for new employees.

In countries with high current fluctuation, all desktops and possibly other sensitive hardware must be protected by a UPS (uninterruptible power supply).

If you are not sure which computer to purchase, do not hesitate to ask for support from HQ – helpdesk@heks.ch.

Printers/Scanners/Photocopiers

In the case of purchasing printers, not only the price of the printer but also the consumption of ink (cartridges) should be considered (costs per page printed and support/maintenance).

9.2.3 Software/Programmes

The operating system which is delivered with a new computer must correspond to the latest system, currently Windows 10. If you have an older or other operating system on your computer, please switch to Windows 10, if possible.

All software installed on a HEKS/EPER computer must be official, meaning a licence was purchased locally or the licence is available at HQ. In order to avoid infringing licence terms, software must not be copied. Furthermore, software may not be installed multiple times, except for Office 365, which can be installed on a maximum of five machines per licence under the Microsoft Office 365 Plan E3. That means that in addition to the installation on the workstation in the office,

Microsoft Office can be installed on another four machines (e.g. second desktop in the office as well as on a home PC or notebook, etc.). If a staff member leaves HEKS/EPER, these Office installations on private devices are no longer to be used.

9.2.4 IT Security

An antivirus program must be installed on every computer in the CO with automatic updates of virus definition files. There are several reliable providers available such as:

- Avira/Avast (free software, several languages available).
- Norton.
- Kaspersky.
- TrendMicro.

Every user logs on (limited access only) to the assigned computers with a unique username (ID) and password.

Portable equipment is always at risk of being stolen and consequently no HEKS/EPER equipment (laptop, memory sticks and external hard drives) shall be left unattended. All equipment needs to be locked overnight and not left on desks.

If you carry a laptop or other equipment, keep it with you when traveling. Wherever practical, do not leave it in empty cars, hotel rooms, etc. Do bear in mind that it is not just the equipment that can be stolen – the data on the drives will go as well.

9.2.5 Cloud Application

HEKS/EPER has decided to use OneDrive for Business (ODB) from Microsoft for the entire HEKS/EPER organisation.

9.2.6 Documents Classification

HEKS/EPER use the following classification system for document security:

- A = Very sensitive documents (e.g. personal medical documents, legal documents).
- B = Sensitive documents (e.g. all other HR related documents such as employment contracts, salary slips, CVs, etc.).
- C = All other documents.

Please note that it is only permitted to share and file C-level documents in the cloud.

9.3 Filing in the CO (Check-up)

Every CO must create a common filing structure. All staff working with computers must use the same structure for filing. The standard filing structure is:

HEKS/EPER office

1. Finance
2. Human resources
3. IT
4. Logistics
5. Premises
6. Security
7. Others

Project no. XXXX

1. Project documents
2. Finances
3. Agreements
4. Programme Reporting
5. Evaluations
6. Donors
7. Correspondences
8. Info Maps

A common structure in an office will help to ensure documents can be easily found in the event of any changes or absences of staff.

9.4 Backup

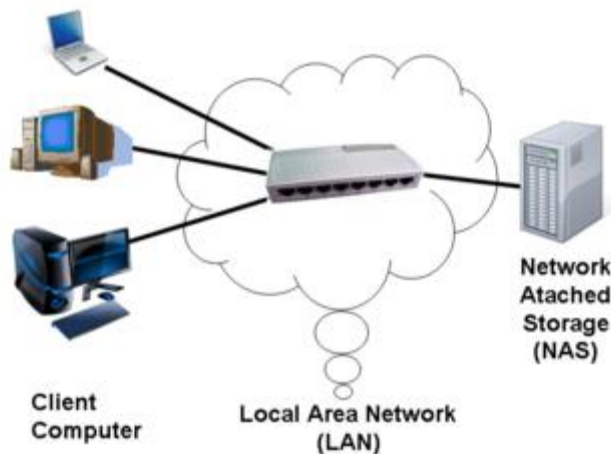
An external backup of every computer and/or all data must be carried out at least once a week. This backup should be kept in a lockable place (e.g. safe) or at home.

There are several options for a backup. It can be carried out using:

- An external hard drive.
- A NAS (Network Attached Storage).
- USB stick with Password.
- ODB.

All backups must be password protected:

- With the external hard drive, you need to back up every computer separately.
- The NAS works via a network and the backup procedure is automated. This variant is a bit more expensive than backup with the external hard drive, but once installed it saves time and the backup is carried out on a regular basis.



9.5 Instructions for Working with the Internet

The Internet must not be misused, in particular, for downloading and dissemination of information with racist, pornographic or otherwise harmful content as well as information which is prohibited by local customs and legislation via the Internet (including chat forums) is prohibited.

Social networks such as Facebook, Twitter, etc. must be used responsibly, i.e. with a focus on work-related activities (as is generally the case with use of the Internet).

If data is copied or downloaded from the Internet, system behaviour when using these files should be scrutinised with regard to potential malware functions (viruses, Trojan Horses, etc.).

Downloading of music and films for private use is prohibited.

Basically, Internet access at HEKS/EPER should be used by HEKS/EPER staff only for work-related purposes. Private use of the Internet at work should be considered as an exception and kept to the strict minimum.

9.6 Instructions about Safe Use of Email

9.6.1 Email User Account

In general, all users are allocated with an email user account. The naming convention for email user accounts is:

firstname.surname@heks-eper.org

All professional email must be sent via this address. It is not permitted to use private email addresses for business purposes.

Dissemination of Email Addresses

Think carefully before giving out your work email address in newsgroups, mailing lists or in other publicly accessible services (risk of misuse, e.g. mass mailings of “spam”).

9.6.2 Private Emails

Writing and sending private emails during working time is allowed, provided that this only takes a small amount of time, the interests of HEKS/EPER and the work activity are not impaired, and it does not lead to a significant traffic volume on the system.

Filing and archiving of the message is to be in a personal folder called “private”, while work email must not be filed in folders called “private”

9.6.3 Writing Emails

The requirements for the design (font, spacing, etc.) must comply with the guidelines of the cooperate design of HEKS/EPER.

Signature (Sender Details)

All outgoing emails need to contain the necessary details about the sender. Therefore, all HEKS/EPER employees need to have an automatic email signature active for all external email receivers, providing them with the following information:

- Name
- Function and Position
- CO Name and Address
- Tel. and Fax Number.
- Email
- Website

9.6.4 Receiving Emails

Identity of the Sender

Note: The identity of the sender cannot be verified with certainty, since it can be manipulated!

Particular Care when Handling Attachments

Attachments or archives – those compressed with zip programs – require particular care. In order to protect yourself against Trojan Horses or other malware in compressed files, you must display the contents list of the archived files before unzipping such files.

9.6.5 Synchronisation of Mail, Calendar and Contact Data with a Smartphone

Prerequisites

To synchronise mail, calendar and contact data, the following prerequisites must be fulfilled:

- Existing Office 365 user account.
- The mobile phone/smartphone must be set up with a password or PIN code which locks the display.

Other Conditions

- The user themselves is responsible for the security of data stored on a mobile phone/smartphone.
- Mobile phones/smartphones are liable to increased risk (theft, damage, etc.). This risk should be taken into account, which is why as little confidential information (emails) as possible should be stored on these devices.