



**NCF 7**  
**Project Implementation Manual**  
**November 2017**



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## Abbreviations

DR	Disbursement request
NCF	Nordic Climate Facility
NDF	Nordic Development Fund
PIM	Project Implementation Manual
TOR	Terms of Reference

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## 1 INTRODUCTION

The purpose of this Project Implementation Manual (PIM) is to explain the implementation processes and reporting requirements of the Nordic Climate Facility (NCF), a challenge fund set-up and financed by the Nordic Development Fund (NDF).

The PIM provides guidance to NCF grantees and their project partners during project implementation. The PIM also explains the implementation requirements for parties interested in seeking NCF financing.

Please note that the PIM is subject to revisions by NDF. NDF will inform grantees of any revisions and the latest version will always be available on the NCF website ([www.nordicclimatefacility.com](http://www.nordicclimatefacility.com))

Please contact the NCF management team (NCF team) if you have any questions or need any additional guidance on the implementation requirements of NCF: [NordicClimateFacility@ndf.fi](mailto:NordicClimateFacility@ndf.fi)

## 2 GRANTEES' RESPONSIBILITIES

The NCF grantee is fully responsible for ensuring that the implementation and reporting of NCF projects are in accordance with the Grant Agreement and the PIM. The PIM is meant to be aligned with the Grant Agreement. If any part of the PIM is in conflict with the Grant Agreement, the Grant Agreement shall prevail.

The NCF grantee shall promptly inform NDF of any issues that may hinder the successful implementation of the project, i.e. one or more of the planned results (outcomes and/ or outputs) may not be achieved within the agreed budget or timeframe. The grantee shall also inform NDF about change of scope and implementation delays, and shall if necessary request an extension of the closing date. The request shall include justifications for the extension as well as a new proposed closing date.

## 3 PROGRESS REPORTING

Progress reporting is based on milestones, i.e. linked to the completion of a milestone. A milestone is completed when the agreed milestone deliverables have been implemented. Deliverables for each milestone should be defined during project design. Reporting templates will be available via the online project management system (SmartME).

### 3.1 Progress report

A narrative progress report shall be submitted to NDF at the end of each milestone together with the financial report. The progress report shall include:



- A cumulative summary of the progress so far. This summary will be published on the NCF website to serve as an update of the project's progress;
- Description of the progress towards achieving the agreed milestone deliverables. Outputs and activities achieved shall be compared against those originally set out for the milestone, and an assessment shall be made whether the implemented activities have contributed towards the planned outcomes and outputs;
- List of milestone deliverables planned but not implemented. An explanation of why they were not implemented, as well as when and if they will be implemented shall be included in this list. Information on any budgetary implications shall also be provided;
- Risks that may negatively affect the successful and timely implementation of the project;
- Lessons learnt.

### 3.2 Project completion report

A project completion report shall be provided together with the reporting for the last milestone. The project completion report shall:

- Describe the achieved results compared to the planned results and targets;
- Provide information on how the project has contributed to NCF's key development indicators:
  1. Number of beneficiaries reached (disaggregated by number of women/men and girls/boys)
  2. Number of people with increased resilience to climate change (disaggregated by number of women/men and girls/boys)
  3. CO<sub>2</sub>e emissions reductions (actual at project completion and expected during the lifetime of the project's mitigation investments)
  4. Number of green business concepts tested
  5. Number of new decent jobs created (disaggregated by number of permanent (women/men) and seasonal (women and men))
  6. Number of people with improved livelihoods/income-generating possibilities (disaggregated by number of women/men and girls/boys)
  7. Number of multi-stakeholder partnerships developed
  8. Amount of funds leveraged (actual project co-financing and secured future investments for scaling-up/replication)
- Assess effectiveness, efficiency, relevance, impact and sustainability;
- Include an extensive section on lessons learned;



- Describe the next steps, i.e. how the project partners intend to take the business concept to the next stage of project development. If the final assessment of the project is that the business concept is not sustainable for further development, an elaborate report on lessons learnt shall be provided explaining why the business concept will not be developed further;
- Include a two-page fact sheet that summarises the project results. The fact sheet is intended to disseminate results to attract possible investors and financiers for scaling-up or replication. In addition, it can be used for disseminating project results to a wider audience or the media through the project partners' or NCF's website or in print. The costs of developing the fact sheet shall be included in the overall project budget.

### 3.3 Two-year follow-up

The development impacts of NCF projects are in many cases not fully visible until after a few years of completion. In order to capture the full impact of the projects, NDF may, after two years, conduct a survey through collection of information from the NCF grantees and the project partners. The survey will focus on NCF's key development impact indicators as well as the continued development of the project concept.

## 4 FINANCIAL MANAGEMENT

### 4.1 Eligible expenditures

Reasonable costs related to the following items are considered eligible project expenditures:

- daily remuneration rates of project staff<sup>1</sup>;
- services purchased from external service providers;
- costs related to monitoring and the evaluation of project effectiveness;
- equipment and machinery necessary for the implementation of the project, as well as the acquisition costs for the equipment and machinery;
- rental of equipment, machinery and/or premises necessary for project implementation (including motor vehicles);
- administrative costs such as accounting, back-office support, telephone, postal, printing, etc., which have occurred from the implementation of the project;
- staff travel<sup>2</sup> and accommodation expenditures as well as daily allowances. The per diem rates of each partner organisation shall be based on their respective Government approved per diem rates. It should be made clear in the project budget if the selected per diem rate covers both accommodation and daily allowance or solely daily allowance;
- transaction costs and costs related to currency conversion directly related to the implementation of the project;

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<sup>1</sup> Significant increases in agreed remuneration rates requires NDF's prior approval.

<sup>2</sup> All travel shall be in economy class and the most cost efficient ticket within reasonable travel time shall be booked.



- taxes (as defined in the section below);
- financial audit costs; and
- project- related legal expenses.

The project expenditures shall not generate profit for the project partners. Daily remuneration rates should reflect the companies' or organisations' actual costs for a project staff member. To ensure cost efficiency, services and equipment purchased under the project shall be procured following NCF procurement principles (see section 6). If a project partner's own product is used, the valuation of the product shall be based on its production cost. If requested, the manufacturer of the product shall be able to present relevant documentation showing the actual production cost.

### **Taxes**

It is the responsibility of the lead Nordic partner to fully acquaint itself with the tax and excise laws in force, which are applicable in relation to the project, or to the receipt of funding from NCF prior to the submission of the full proposal. The lead Nordic partner shall in the application, clarify value added tax (VAT) status of project partners within the Nordic countries and the European Union.

Reasonable duties, taxes and other levies payable by project partners (Nordic, local and/or other) in relation to the implementation of the project can be included as a cost in the budget. However, VAT that may be deducted or refunded, or compensated for in another way, cannot be included as budget costs. Furthermore, VAT can only be included in the budget when applicable in the country of implementation whereas costs incurred in a Nordic country or within the European Union or elsewhere shall be exclusive of VAT. Appropriate tax modifications may for well-grounded reasons be made to the budget during the negotiations phase, as agreed separately.

Taxes forming part a project's expenditures, are included in the scope of the financial audit of the project.

## **4.2 Ineligible expenditures**

The following items are not eligible project expenditures:

- project preparation cost or other costs incurred before the grant agreement was signed;
- expenditures that have not been approved by NDF, either in the budget or in writing after the inception of the project;
- companies'/organisations' ordinary operation costs, i.e. cost not directly related to the implementation of the project;
- holiday pay, sick leave or other leave of absence;
- merit pay, bonuses, fringe benefits and similar supplements to wages that are paid in addition to regular wage;
- general staff training;
- depreciation of equipment, machinery and vehicles;
- fines, penalty fees and legal expenses, except ordinary project-related legal expenses that have been approved in the budget;



- overhead as a share of total costs (all project-related administrative costs shall be included in the budget as actual planned costs);
- loan set-up costs, loan administration costs, interest on loans and exchange rate losses;
- fees resulting from opening or managing an account, if providing the grant does not specifically require this; and
- value-added tax (VAT) that may be deducted or refunded, or compensated for in another way.

### 4.3 Financial reporting

A financial report shall be submitted to NDF at the end of each milestone, together with the narrative progress report. Financial reporting templates will be available via the online project management system (SmartME). The financial report shall cover all project accounts and shall reflect the expenditures for all project partners. All expenditures shall be based on actual costs incurred necessary for the implementation of the project.

- The financial reporting comprises of several different excel sheets which follow the same logic as the NCF budget:
  - Sheet 1) Sources of funding - table specifying the total co-financing for the specific milestone per project financier. It also includes a summary of advance payments;
  - Sheet 2) Expenditure report summary - summary of the NCF project's actual expenditures incurred for the specific milestone (summary of sheet 3 and 4);
  - Sheet 3) Breakdown of implementation expenditures - breakdown of the NCF project's actual implementation expenditures incurred for the specific milestone;
  - Sheet 4) Breakdown of administration costs - breakdown of the NCF project's actual administration expenditures incurred for the specific milestone;
  - Sheet 5) Timesheet summary (see section 4.8)
  - Sheet 6) Summary of invoices above EUR 500 - record of the project's invoices above EUR 500. Scanned copies of invoices above EUR 500 shall also be provided.
- Supporting documentation should be available for all expenditures (invoices, receipts, tickets, timesheets, payslips, procurement documentation, etc.) upon request from NDF at any point during project implementation
- All expenditures shall be reported in euros. The exchange rate used shall be based on the average exchange rate over the reporting period. The exchange rates quoted by the International Monetary Fund (IMF) shall be used.
- If there have been any changes in activities during the milestone, the financial report shall also reflect these changes.



## 4.4 Disbursements

When a milestone is completed the grantee shall submit a disbursement request to NDF together with the progress and financial report. The disbursement request template is included as an annex to the Grant Agreement. Disbursements will be conducted after the progress and financial report as well as the disbursement request have been approved and verified.

Prior to making the first disbursement, all conditions for disbursements shall be fulfilled. The conditions are stated in the Grant Agreement. Among other things, the grantee shall provide NDF with the following:

- A Legal opinion - the legal opinion shall express certain legal conclusions about the grantee. The main purposes of the legal opinion are:
  - to state conclusions of law as to the ability of the grantee to enter into and perform its obligations under the Grant Agreement;
  - to inform NDF of the legal effect of the Grant Agreement; and
  - to identify legal risks (if any) that NDF should consider further and evaluate.

Legal opinions for NCF Grant Agreements may vary somewhat in scope depending on the case at hand. The template in the Grant Agreement represents the minimum requirements. The legal opinion shall be issued by a lawyer qualified in the country of registration of the grantee.

- Form of Certificate of Incumbency and Authority - a document listing the person(s) authorised to sign on behalf of the grantee (template included as an annex to the grant agreement);
- Sub-contracts between the grantee and the project partners setting out, among other things, the division of roles and responsibilities between the parties, committed co-financing amount (if applicable) and further details of arrangements covered in the Annex *Intellectual property rights, Ownership and Maintenance Arrangements* of the Grant Agreement. Prior to execution, final drafts of the sub-contracts shall be sent to NDF for no-objection. If the sub-contracts are written in any language other than English, they should be translated to English by the project developer using a certified translator. The translated version will be the governing version.

Before making the first payment, an account holder confirmation is required from the bank to which the payment shall be made. The purpose of this is to get a confirmation from the bank that the account holder indicated in the invoice/contract is in fact the owner of the bank account. NDF will send out an account holder confirmation form template to the account holder, i.e. the lead Nordic partner, who needs to contact their bank to get the confirmation. Banks can either use the NCF form template or their own form, as long as it contains the necessary information needed to confirm the account holder. A scanned version of the confirmation should then be sent back to NDF per email.



#### **4.4.1 Advance payments**

NDF can provide advance payments, i.e. a partial disbursement for the implementation of a milestone prior to the commencement of the milestone activities. An advance payment or the accumulation thereof cannot exceed 20% of the NCF grant. There can be several advance payments during the project implementation period; these payments shall be planned ahead in the budget and linked to a milestone disbursement request. An advance payment cannot cover the full costs of a milestone. A general rule is that a maximum of 75% of a milestone's costs can be covered by an advance payment. In addition, at least 20% of the NCF grant shall be reserved for the final disbursement, a share which cannot be disbursed as an advance. All conditions for disbursements have to be fulfilled before an advance payment can be disbursed.

#### **4.4.2 Final disbursements**

The final disbursement request shall be submitted when all activities have been completed. At least 20% of the NCF grant shall be reserved for the final disbursement. NDF cannot pay for expenditures incurred after the closing date of the project. Therefore, all project activities, including final reports and financial audits, shall be completed within the closing date.

NDF's financing share of the total project budget cost cannot exceed the agreed co-financing share (in %) stated in the Grant Agreement. The share may vary during project implementation, but for the full project expenditures by the end of the project, the share has to be equal or lower than the figure stated in the Grant Agreement. This share should be reflected in the final disbursement request.

#### **4.5 Reallocation of funds between budget items**

Reallocation of funds between the implementation budget and the administration budget has to be approved by NDF in advance.

In the implementation budget, reallocation of funds between activities and inputs within the same output is acceptable as long as the project outputs remain as agreed in Annex 2 (Results framework) of the Grant Agreement. Reallocation of funds between outputs where the reallocation entails that an output's total budget is reduced by more than 10% requires prior approval by NDF.

In the administration budget, reallocation of funds within a budget heading is acceptable as long as the project results remain as agreed in Annex 2 (Results framework) of the Grant Agreement. Reallocation of funds between budget headings where the reallocation entails that a budget heading's total budget is reduced by more than 10% requires prior approval by NDF.

In either case, all reallocations above EUR 500 shall be clearly explained in the narrative progress report.



## 4.6 Reallocation of funds between budget milestones

Reallocation of funds between milestones is acceptable as long as the reallocation is within the same output (implementation budget) or budget heading (administration budget) and the milestone deliverables remain as agreed in Annex 1 (project description) of the Grant Agreement. Any reallocation which will change any deliverables in a given milestone has to be approved by NDF in advance.

In either case, all reallocations above EUR 500 shall be clearly explained in the progress report. .

## 4.7 Use of contingencies

NDF encourages project to allocate 5-10% of the project budget to contingencies. Contingencies shall be used to cover unforeseen activities and costs that occur during implementation. All activities covered with contingencies should contribute to reaching the outcomes and outputs of the project. NDF shall be informed in advance when contingencies are proposed to be used. All use of contingencies shall be explained in the progress report and reported in the summary expenditure report (financial report).

## 4.8 Time sheets

All project partners are required to keep a record of working hours related to the project and corresponding work days per month. Individual timesheets shall be kept for all staff members financed by the project (including local and other partner(s)). The timesheets shall be signed by the staff member in question as well as their supervisor.

Timesheets should at a minimum be done for each milestone (i.e. at least one timesheet per person per milestone), showing the hours dedicated to the project per work day for each month. Project-related travel, as well as weekends, national holidays and vacation days should be marked in the timesheets. As a rule, the information about absences marked in the timesheets must match the records of annual and sick leave taken of the staff member. Project-related travel marked in the timesheets must be supported by appropriate evidence, such as documentation of conferences, conference participant lists, project meeting notes, etc.

The timesheet format is optional; however, Annex 1 presents an example of an individual timesheet that fulfils the above-mentioned criteria. Timesheets and other related documentation shall be available upon request by NDF. The financial auditors will review timesheets as part of the audit.

A timesheet summary per partner organisation shall be shared with NDF for each disbursement request. The summary shall include the following information:

- a) Name and title of each staff member;
- b) The number of days worked per month, disaggregated for each staff member during the reporting period;
- c) Total number of worked days over the reporting period;
- d) Daily remuneration;



e) Total cost per person for each reporting period.

<i>Name of partner organisation</i>							
a) Staff member (name and title)	b) # worked days/month (please include all months in the reporting period)				c) Total # of days (sum of b)	d) Daily remuneration (EUR)	e) Total cost (EUR) (e=c*d)
	Feb-18	Mar-18	Apr-18	May-18			
Project Associate 1	10	20	20	10.5	60.5	20	1,210
Project Associate 2	12	12	12	12	48	20	960
Project Director	18	18	18	18	54	30	1,620
<b>Total sum</b>							<b>3,780</b>

## 4.9 Financial audits

A financial audit is a review of the entire NCF project accounts to ensure applicable accounting rules have been followed by all project partners. NDF requires at least one financial audit of all project accounts at project completion.

The audit costs shall be included in the project budget. The audits shall cover the project accounts of the entire NCF project, including co-financing. The definition of project accounts in the Grant Agreement is: *“Project Accounts” means accounts kept by the Grantee and, where relevant, the Local Partner(s) and the Other Partner(s) in accordance with applicable accounting rules, showing costs and expenses incurred for the Project as well as all revenues resulting from the Project, including the Grant, received from time to time”.*

- Responsibility of the NCF grantee

The NCF grantee is fully accountable for the project's accounts. The grantee shall keep project accounts in accordance with generally accepted accounting principles. Furthermore, the grantee shall provide, or cause to be provided, access and local arrangements for the representatives of NDF to inspect all relevant books of account relating to the use of the Grant and shall use its best efforts to ensure that the local partner(s) and other partner(s) and all contractors and sub-contractors shall make corresponding undertakings. NDF has the right to access all financial documentation linked to the project. The grantee must ensure that audit costs are included in the approved project budget.

- Audit process:

The grantee shall inform NDF about the timing of the planned audit and shall at least six weeks prior to initiating the audit, request NDF to send a project-specific financial audit terms of reference (TOR). The draft audit terms of reference (TOR) is included in Annex 2. NDF reserves the right to revise the draft audit TORs.

The grantee shall procure the auditor(s) based on the finally agreed TORs. Since the audit shall also cover the local and/or other partners, the auditors shall be locally relevant and speak the local language. Subcontracting of the audit assignment is allowed with NDF's prior approval.



The grantee shall request NDF's prior approval of the selected auditor. The grantee should be able to send documentation of the selected auditor which proves the authorisation and certification of the company, should this be requested by NDF prior to approving the auditor. In case the grantees have a framework agreement with a certified audit firm, they may be used, but the grantee shall ask for prior approval by NDF. Once NDF has approved the auditor, the grantee can proceed with contracting and consequently, conducting the audits.

The final audit should take place after all expenses related to project activities have been paid.

- Reporting:

The audit report shall be sent to NDF once the audit has been completed. The grantee should note that NDF's approval of the audit report form part of the requirements for the consecutive disbursements. In case of any concerns raised during an audit, a meeting will be set up between the grantee and NDF to agree on a way forward. Solutions may entail the arrangement of additional audits, or field visits by NDF staff/consultants.

## 5 MONITORING PRINCIPLES

NDF will monitor whether the project is on track to achieve its expected outcomes and outputs within the agreed budget. The progress and financial reports will serve as a basis for NDF's monitoring.

- On the facility level, NDF will monitor progress against NCF's key development indicators:
  1. Number of beneficiaries reached (disaggregated by number of women/men and girls/boys)
  2. Number of people with increased resilience to climate change (disaggregated by number of women/men and girls/boys)
  3. CO2e emissions reductions (actual at project completion and expected during the lifetime of the project's mitigation investments)
  4. Number of green business concepts tested
  5. Number of new decent jobs created (disaggregated by number of permanent (women/men) and seasonal (women and men))
  6. Number of people with improved livelihoods/income-generating possibilities (disaggregated by number of women/men and girls/boys)
  7. Number of multi-stakeholder partnerships developed
  8. Amount of funds leveraged (actual project co-financing and secured future investments for scaling-up/replication)



- NDF may conduct site visits to monitor the implementation of the project and/or verify the outcomes and outputs. The project partners shall provide access and local arrangement for NDF to enable the site visits.
- Any deviations from agreed outcomes or outputs have to be approved in advance by NDF.
- NDF may conduct post-evaluation of NCF projects. These evaluations will be fully financed by NDF. Project partners are encouraged to provide time and input to facilitate these evaluations.
- All projects shall be in compliance with NDF's Environmental and Social Policy and Guidelines<sup>3</sup>.

## 6 PROCUREMENT

All procurement carried out under NCF shall aim to achieve best possible economy, efficiency and quality.

For procurement of goods or works, the following procurement procedures apply:

- a) **Costs below €500**: procedure to be decided upon by the project partners;
- b) **Costs between €500 and €50,000**: Shopping - comparison of at least three quotes/offers obtained directly from suppliers,
  - The supplier with the lowest bid shall be selected.
  - The request for bids, specifications, offers and other procurement-related documentation shall be archived and made available at the request of NDF.

For procurement of consultancy services, the following procurement procedures apply:

- a) **Costs below €50,000**: Single source selection - direct selection of consultant(s)/firm, no tender process required.
  - Terms of reference (TOR) shall be developed for the assignment.
  - Individual consultants shall submit CVs and references to relevant assignments.
  - Firms shall submit CVs of the proposed experts and provide relevant references.
  - The price shall be reasonable from a market perspective.
  - The TORs, CVs and other procurement-related documentation shall be archived and made available at the request of NDF.

<sup>3</sup> [http://www.ndf.fi/sites/ndf.fi/files/attach/ndf\\_environmental\\_and\\_social\\_policy\\_and\\_guidelines\\_0.pdf](http://www.ndf.fi/sites/ndf.fi/files/attach/ndf_environmental_and_social_policy_and_guidelines_0.pdf)



- b) For procurement of consultancy services, goods or works **above €50 000**, the procurement procedures shall be agreed upon with NDF in advance.

Dividing contracts into parts in order to keep the contract value below any threshold mentioned is strictly forbidden.

Grantees may use their own procurement procedures if they are stricter than the procurement procedures above.

## 7 INTEGRITY AND ANTICORRUPTION

All projects financed by NDF shall adhere to NDF's Policy on Anticorruption and Integrity, [http://www.ndf.fi/sites/ndf.fi/files/attach/anticorruption\\_guidelines\\_2012.pdf](http://www.ndf.fi/sites/ndf.fi/files/attach/anticorruption_guidelines_2012.pdf).

To report concerns or evidence that corruption, fraud, coercion, collusion or obstructive practice may have occurred or is occurring, contact NDF: Nordic Development Fund, P.O Box 185, 00170 Helsinki, Finland, or email [anticorruption@ndf.fi](mailto:anticorruption@ndf.fi), or telephone: +358 10 618 002 (request to be connected to a member of the NDF Anticorruption Committee), or fax: +358 9 622 1491, or contact any NDF staff member. One can also report any misconduct using the web form available on NDF's website: <http://www.ndf.fi/report-suspected-misconduct>.

Any information provided will be treated as confidential and shared within NDF only on a strict need-to-know basis. Reports may be made anonymously. However, as anonymous reports are difficult to investigate, anyone making an allegation is encouraged to provide some means that will allow NDF's Anticorruption Committee to communicate with him or her.

## 8 OUTREACH

Sharing results and lessons learnt is an important feature of NCF. Therefore, project partners shall inform NDF about information material developed during the implementation of the project and articles, blogs or videos that mention or discuss the project.

Project partners can also contact NDF to explore the possibility of jointly developing articles or publications, or arranging outreach activities/events that aim to disseminate results and lessons learnt.



## 8.1 Guidance on use of NCF logo

The NCF logo shall be visible on all reports, information material (leaflets, brochures etc) and other documents developed by the project. The logo is available in different formats which are optimal for either print or digital uses. Projects should request the logo from NDF when needed. Based on the purpose of the use, the logo will be sent in the most suitable format.

When presenting NCF in publications, the following description should be used:

*The Nordic Climate Facility (NCF) is a challenge fund that finances innovative climate change projects. NCF financing is allocated on a competitive basis with calls for proposals arranged annually. It is financed by the Nordic Development Fund, an international development and climate finance institution established by the Nordic countries.*

## Annex 1 Individual timesheet example

Name of staff: Ann Example

Name of supervisor: Ann Other Example

Organization: The Imaginary Solar Energy Company

Type of partner: Local

Milestone 1					
2017					
Day	April	May	June	July	August
1	WE	NH	6	WE	8
2	WE	4	6	WE	4
3	4	4	WE	4	4
4	4	4	WE	4	4
5			8	6	WE
6	4	WE	8	6	WE
7	4	WE	8	6	5,5
8	WE	5	8	WE	4
9	WE	5	8	WE	4
10		8	WE	8	4
11	8	8	WE	8	8
12	8	8	V	8	WE
13	8	WE	V	4	WE
14		WE	V	4	8
15	WE	4	V	WE	8
16	WE	4	V	WE	S
17	3	8	WE	8	S
18	3	8	WE	8	4
19	8	8	V	8	WE
20	8	WE	V	8	WE
21	8	WE	V	4	8
22	WE	8	4	WE	8
23	WE	8	4	WE	8
24	8	8	WE	6	8
25	8	NH	WE	6	8
26	8	8	8	6	WE
27	8	WE	8	8	WE
28	8	WE	8	8	OAA
29	WE	6	8	WE	6
30	WE	6	8	WE	8
31		6		8	8
Hours/month	<b>110,0</b>	<b>128,0</b>	<b>100,0</b>	<b>136,0</b>	<b>127,5</b>
Worked days/month	<b>13,8</b>	<b>16,0</b>	<b>12,5</b>	<b>17,0</b>	<b>15,9</b>

Explanation of colors/symbols:

WE	Weekends
V	Vacation
S	Sick leave
NH	National holiday
OAA	Other authorized absence
	Project-related travel
	Not a calendar day

*Ann Example*

Staff member's signature

Date: 20.02.2020

*Ann Other Example*

Supervisor's signature

Date: 20.02.2020



## Annex 2 Draft terms of reference for financial audits

### FINANCIAL AUDIT TERMS OF REFERENCE (DRAFT)

#### 1. Background

Nordic Development Fund (NDF) has signed a Grant Agreement with a Grantee for a climate change adaptation and / or mitigation project (the “Project”).

#### 2. Objective

The objective of the audit is for the auditor to express a professional opinion on the financing position of the Project and on the use of the grant funds and co-financing received and expenditures incurred during the accounting / monitoring period under the control of the Grantee.<sup>4</sup> This period is defined in the Grant Agreement and the date of submission of the audits is entered into the Grant Agreement.

#### 3. Scope<sup>5</sup>

The audit shall be carried out in accordance with International Standards of Auditing, and shall include tests and controls, as the auditor considers necessary under the circumstances, such as to ascertain that:

- The financial implementation of the Project has taken place in accordance with the Grant Agreement;
- Budgetary deviations and reallocations are in line with approved principles;
- The Project accounts have been prepared in accordance with good financial practice and give a true and fair view of the financial situation of the Project for the relevant monitoring period and of the use of the resources and expenditures incurred during that period, including the use of co-financing for the Project (includes review of timesheets, travel costs and other costs);
- The accounting and internal control systems are adequate to monitor expenditures and other financial transactions and to ensure safe custody of Project-financed assets and adequate documentation on all relevant transactions related to the Project.

#### 4. Audit opinion

The Audit Report shall include an opinion on the Progress and Financial Reports, i.e. whether they are correct and give a true and fair view of the activities of the Project and whether the execution complies with the rules and conditions governing the use of funds as expressed or referred to in the Grant Agreement, the Progress and Financial Reporting Template and other project-specific documentation, as applicable.

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<sup>4</sup> In some cases, the audit specifically concerns the Local Partner as defined in the Grant Agreement and/or as agreed separately.

<sup>5</sup> The scope may be revised by NDF on a project by project basis.



## **Management letter**

In addition to the Audit Report, the auditor shall prepare a “Management Letter”, in which the auditor shall:

- Provide comments and observations on the accounting records, systems and controls that were examined during the course of the audit;
- Identify specific deficiencies and areas of weakness in the systems and controls and make recommendations for their improvement, including the role of Local Partner(s) and possible Other Partner(s) as identified in the Grant Agreement/Project documents and/or contractors;
- Present matters that have come to the auditor’s attention during the audit and which might have a significant impact on the implementation of the Project; and
- Bring to the attention of NDF any other matters that the auditor considers pertinent.

The letter shall also indicate the measures which have been taken as a result of previous audit reports / management letters (as applicable) and whether such measures have been adequate to deal with reported shortcomings.

The Audit Report, including the Audit Opinion and Management Letter should be sealed and signed by the auditor including his/her name with certification number when sent to the NDF office.

## **5. Conditions and requirements**

The auditor shall be given access to all documents, correspondence, and any other information associated with the Project and deemed necessary by the auditor, including but not limited to the Grant Agreement, any sub-agreement(s) between the Grantee and the Local Partner(s) and possible Other Partner(s) and/or other contractors as well as relevant Progress and Financial Reports. The auditors shall be authorised in writing by the Grantee to communicate directly with NDF regarding all aspects of the Project.

## **6. Qualification criteria**

1. Licensed auditor for providing the required services acceptable to NDF;
2. Relevant experience related to the assignment;
3. Ability to review accounts and documents in relevant languages; and
4. No subcontracting of the audit assignment by the selected auditor will be allowed without NDF’s prior approval.