

# CKU's Financial Minimum Standards

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**Center for Kirkeligt  
Udviklings samarbejde**

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This standard is a set of requirements and specify what CKU regards as a minimum set of procedures, tasks, and checks when funding is received from CKU. It can also be viewed as a helping tool to organizations in guiding, evaluating, and developing their capacity in financial management.

The local partner has six months from project start to implement these requirements. However, the Danish organization must conform to the standards already when applying for funding. It is the Danish organization's responsibility that the local partner applies to these standards.

## **1. Financial procedures**

The procedures on how to handle finances must be in writing. The bigger the grant, the more detailed the descriptions need to be.

Ensure the description covers the division of tasks i.e. who has access to approve, pay, and make entries.

## **2. Receiving funds from CKU**

- a. Funds from CKU should be deposited in a separate bank account and cannot be used or borrowed for other purposes.
- b. When requesting a transfer through the project portal, a copy of a bank statement must be added. The bank statement must show the previous entry stating the amount received in local currency and bank fee.
- c. When received in US dollars, the exchange rate used to convert the funds to local currency should be recorded so it can be traced to the ledger.

## **3. Budget changes**

Any reallocation within the approved budget and the use of the budget reserve requires approval by the organisation's management and written approval from CKU prior to implementation.

The project must operate within the approved budget. Any changes needed between the budget lines require approval prior to implementation, unless:

- The change is less than 10% of the smallest budget line affected.
- The change does not affect salaries, staff expenses, or audit.
- The changes are given reason for in the following status report.

Any other changes must be granted approval before implementation. The application for such changes is applied for through the Grant portal where also the budget revision is submitted.

## **4. Accounting**

- a. Administration of grants more than 500,000 DKK requires a digital bookkeeping program (excel is not such a program but a digital tool). Grants less than 500,000 DKK can be managed using a digital bookkeeping program or a cash book. The cash book may even be made using excel or similar software. However, any entry in the cash book cannot be deleted. Corrections are made by supplying the cash book with a new entry.
- b. The accounts must be made so there is a clear connection between the accounting system and the budget lines. The chart of accounts should reflect all budget lines.

- c. Entries should be verifiable against a source document (invoice, receipt, payroll records, bank receipts etc.).
  - a. Prior to entry, all supporting documents must be approved and signed by the person authorized to do so - a person other than the one who enters it into the general ledger.

**How to do it**

The financial management policy approved by the board of trustees should set out the authorization procedure and separation of duties.

- b. Without exemption, all monetary transactions must be entered into cashbooks. No entries can be deleted.

**How to do it**

Bank transactions are entered into a separate bank cashbook for each bank account and account and cash transactions are entered into a petty cash book.

- c. All source documents must be given a reference number which is also indicated in the entry in the cashbook/accounting system.

**How to do it**

Reference numbers are written in chronological order on the source document with a permanent marker, usually at the time it is entered into the cashbook, to ensure correct referencing. Digital accounting systems may give the ability to save source documents digitally/online. Every source document must be directly related to an income/expense in the accounting system.

- d. All supporting documents not yet entered the general ledger must be kept physically separate from the ones already entered.

**How to do it**

Keep all supporting documents waiting to be entered in a separate tray or binder and the ones already entered in another binder/online.

- e. All supporting documents must be kept for at least 5 years after the project has ended.

**How to do it**

Keep binders with supporting documents in a safe storage place and ensure the management's approval before disposal after at least 5 years. If accounts are kept digitally ensure continued access to these in at least 5 years. It might require backups/extra soft copies etc.

- f. Cancelled checks should be kept with the bank statement.

## 5. Internal controls

- a. A policy for financial administrative procedures should describe the delegation of work and the division of functions between staff.

### How to do it

Where possible, there should be a separation of duties between accounts payable, bank and cash box reconciliation and between expense approval and check signing and bookkeeping to provide as much internal control as possible, given the context of the project. This financial standard can be used in developing the policy. Remember to obtain the board of trustees' approval of the policy and regularly update it, if, for example, there is a change of staff or organizational structure.

- b. Bank reconciliations must be performed monthly by one person, preferably someone else than the bookkeeper, and checked and signed by another person.

### How to do it

The bank reconciliation compares the month-end balance on the bank statement for a particular month to the month-end balance in the bank cashbook for that same month.

- c. The cashbox must be kept locked and administered by someone other than the bookkeeper.

### How to do it

The cashier should be a central and trusted person, for example the manager, project officer or another person in the finance team. The financial management policy should state who administers the cashbox. This separation of duties ensures that two or more persons help verify each other's handling of supporting documents .

- d. Petty cash reconciliations must be performed weekly or at least monthly by two persons of who none is keeping the key to the cash box

### How to do it

Cash reconciliations are usually done by two persons, the cashier, and another person. At month-end, cash kept in the cash box is counted and compared to the month-end balance of the petty cash book.

## 6. Financial reports

- a. If the budget is co-financed by other sources, the accounts must show this for each budget line.
- b. All projects must submit financial reports showing income and expenditure according to the approved budget. Deadlines and formats for each grant can be found in the project portal.

## 7. Procurement of assets

- a. All procurement of assets with a significant value must be purchased only after having compared three quotations. The person in charge of the budget must approve it before procurement. Such purchases should be approved by minimum two persons.
- b. All cheque requisitions should have the following supporting documents which must be presented to the authorised signatory:

- an approved purchase order.
- a confirmation or proof of good/service received.
- an invoice/payroll calculation/petty cash claim form or other proof of cost amount.
- a signed receipt from the payee.

## **8. Security of cash**

- a. Avoid keeping large amounts of cash. All payments should, as far as possible, be by check, bank transfer, or other cash transfer systems (e.g. Mobile money).
- b. Security procedures for cash-in-transit should be developed.
- c. All cash should be kept safely in a locked box, safe or drawer.
- d. Access to keys should be strictly limited and described in the financial procedures.

## **9. Salaries and benefits**

- a. Each employee should have a separate folder containing all salary history, salary authorizations, tax information and payments, pension information and payments (if any), school cost authorization and payment (if any), medical insurance (if any) and vacation/holiday and sick leave records. Ensure to keep this information safely and confidentially.
- b. Each expense must be traceable to the ledger and financial statements.
- c. No allowances or facilitation fees should be paid by the project to persons who are already employed by the project. Only overnight allowance can be paid, in accordance with staff policy of the partner organisation.

## **10. Vehicles**

- a. If a vehicle is provided by the project, a logbook should be kept in each vehicle to record the distance and purpose of trip, driver and authorization details, gasoline usage, any repairs and total mileage. The logbook may be digital but still contain the same