

**THE LUTHERAN WORLD FEDERATION**  
**Department for Mission and Development (DMD)**  
**P.O. Box 2100, CH-1211 Geneva 2, Switzerland**

**GUIDELINES**

**FOR**

**PROJECT IMPLEMENTATION**

**AND MONITORING**

**R E P O R T I N G**

<b>Contents:</b>	<b>Page:</b>
Narrative Reporting Form	2
- Procedures and Timeframes	5
Financial Reporting Form	7
Auditing	12
Revolving Funds	14
Appendix E 4 sheets for financial reporting	see Excel file

## NARRATIVE REPORTING FORM

Narrative reports shall be produced for every six month period. The first reporting period adjusts from the month of commencement till the end of a regular reporting period. **See for further detail:** 'Reporting periods' under 'Procedures and Timeframes' on page .

The following sequence of paragraphs shall be used at all times:

### 1. Report on Activities

Using the planning schedule in the project write up or the work plan, report on the following:

- Activities undertaken so far
- Targets, achievements, indicators, limiting factors (indicate these when you have used a log frame or a planning spreadsheet)
- Deviations from the plan, if any, briefly indicating reasons for such.

(The emphasis is on concise, factual and *mainly* quantitative reporting.)

### 2. Narrative on your monitoring of Income and Expenditures

Using the agreed upon full sequence of your budget:

- explain over- and under-expenditures and other deviation from the financial planning, giving the reasons for such. Include income planning and reasons for deviation as well.
- convey other observations from the financial report, providing background information, analysis and implications or follow-up steps.

### 3. Report on Specific Objectives

Review one by one your project objectives in the approved project write-up and make a *mainly qualitative* assessment of the following:

- Are your objectives in the process of being achieved?
- What intermediate results, if any, can already be observed?
- Are you on the right track to achieve the goal of the project ? Give clear indications.

*(To do this qualitative assessment well the objectives had (or have) to be SMART, i.e., Specific, Measurable, Attainable, Relevant and Time bound.) If they are not, still make them SMART. It's never too late to become SMART*

### 4. Report on Methodology and/or Strategies

Assess whether the method used for this project is the most effective one to achieve the stated objectives. If so, how? If not, why not?

*(Example for analysis of methodology:*

- *Specific objective: "to empower women and develop leadership skills"*
- *Method used: "hold two workshops per year"*

*Analyze whether this activity has been the most effective means to fully achieve that specific objective.)*

## 5. Report on significant changes in people's lives

This section is to provide a 'human interest' picture on the project. Chose, when relevant, different individual perspectives: as a youth, a woman, an elderly person. This part of the report should illustrate significant changes in people's life as a consequence of their involvement in the project. Try to use a journalistic style (and complete the 'picture' if possible with a photograph).

## 6. Report on Involvement of Target Group

- Describe the involvement of the target group in the implementation of the project
- Do they feel ownership of the project? If so, how was it achieved? If not, why not?
- Report on involvement & roles of other stakeholders (*e.g. government departments*)

## 7. Report on Assumed Conducive Conditions

- Compare your actual situation with the assumptions made at the planning stage. (*Examples of assumptions: political/ economic stability, growth of demand, active participation of target groups, etc.*)
- Report and reflect on these realities and their impacts on the project

## 8. Report on Critical Factors

- Compare your actual situation with the Risk Factors you identified in the project plans. (*Examples of critical/risk factors: drought, repression, cultural restrictions, conflicts*).
- How did these affect the implementation of the project?

## 9. Report on Human Resources

- Give a quantitative (numbers) and qualitative (performance) assessment of all human resources involved in the implementation of the project. (*Identify strength and weaknesses, include voluntary and paid workers, management, consultants, church leadership, treasurer, etc.*)
- Describe the social relations and atmosphere in the project and the surrounding institution/organization, if relevant.
- How did you engage with your staff in discussions (and learning) on understanding reasons/factors for success or failure. What are their main concerns?

## 10. Optional - Report on Construction and/or Purchase of Capital Cost Items

- When the project has a budget component for construction, the progress of the construction needs to be shown with photographs, regularly taken throughout the construction process. A technical progress report prepared by experts may be necessary in specific cases. A copy of the construction contract(s) shall be supplied. Specific requirements may be formulated by DMD.
- When capital cost items have been acquired through the project budget, confirm this with sufficient detail in your report and attach photographs. When items have been supplied through direct payment by DMD a separate report on the 'status of

receipt' shall be made, confirming quality and completeness of the supplied goods. Capital cost items, once acquired, shall appear on the balance sheet.

### **11. Optional - Further Elaboration of Project Plans**

After implementation has started, and if deemed necessary, the need can be described to:

- refine the project objectives and targets
- elaborate and/or adjust Plans and Budget
- ensure measurability of impact (researching baseline data and setting indicators)

*(Such further elaboration of targets per activity or objective shall be reported in the first period of reporting or –at the latest- in the second period).*

### **12. Implications and Follow-up Plans**

- What do the findings and observations in this report mean for the present project period and for the remaining time available for project implementation? What measures should be taken to solve identified constraints?
- Are there any other ideas or concerns you wish to share with us?
- Are there any concerns or input from your governing committee ?

### **General**

Try to be brief in the response to the issues raised in the respective paragraphs and try to avoid repetition. In such a case refer to a previous paragraph. Reporting on accomplished successful tasks is –of course- more attractive than reporting on constraints, difficulties or weaknesses. However, in the context of monitoring, the identification and analysis of problems is even more productive than reporting of tasks successfully accomplished.

## Narrative Reports: PROCEDURES and TIMEFRAMES

### Reporting periods

The first reporting period shall adjust to the regular semesters per fiscal year in the country (usually 1 Jan-30 June & 1 July-31 Dec, but in India and Bangladesh 1 April – 30 September & 1 October - 31 March). It is not necessary to prepare a full report on a first period shorter than 3 months. After this first reporting period (on a 4 to 9 month period) **only** 6 month reports (2 per year) shall be accepted.

### Title page

The title page shall feature the following information:

DMD Number and Name of Project: .....

Name of Project Holder: .....

Name (+ title) of Reporting Person: .....

Reporting Period: .....

Governing Committee input: .....

Date of discussion: .....

Names and signatures of endorsing representatives: .....

### Timeframes

1. The project management (director, management team) shall prepare the report in the first 2-3 weeks after the end of the reporting period.
2. The governing body (board, committee) of the project shall discuss this report in 4-6 weeks after the end of a reporting period. Both the financial and the narrative report shall be presented and discussed in this meeting.
3. The outcome of the discussions in this meeting shall be conveyed in the covering letter attached to the reports. Formal acceptance by the governing committee shall be expressed.
  - \* The narrative report shall be signed by the Director and the Chair of the committee.
  - \* The financial report shall be signed by the Project Director and (usually) the Treasurer of the governing committee, e.g. the Treasurer of the church.
4. The report shall be sent to LWF-DMD *within* 2 months after the reporting period has ended (The report shall be received by LWF before 3 months have past). This rhythm ensures that reporting is relevant and timely.
5. When financial reports cannot be ready within a month after the reporting period, the conditions for the production of these reports should be reviewed. A project that cannot produce its financial and its narrative reports in time is *seriously under equipped* in terms of human resources, with all subsequent potential damages to the achievement of the project goal.

Timely reports ensure timely disbursement of funds by LWF-DMD. Timely reports therefore serve the interest of the project and the project holder.

6. LWF-DMD is under obligation to the various supporting agencies to obtain adequate reporting and to furnish these reports to these agencies (also with timeframes). Your reports are crucial for their respective accountability and fund raising.

A	B	C	D	E
One month	one month	one month	one month	One month

A	End of project period.
A-B	Production of reports.
B-C	Discussion of reports in board/committee.
C till half way C-D	Sending of reports.
D	Receipt of reports by DMD
D-E	Correspondence project holder-DMD
E	Sending reports to supporting agencies

### Request for transfer of funds

When -for example- a second fund transfer is needed prior to the end of the first full reporting period, or when further transfers are needed in between the periods of sending the reports, a brief (1-2 page) interim report shall be prepared. A request for further transfers will be successful when accompanied by:

- 1) brief up-to-date reports (both financial and narrative), and
- 2) a realistic cash flow planning (starting with an approximate project fund balance as per the day of sending the request).

### Annual report

1. The annual report has basically the same contents and lay-out as the half year narrative reports, but the project holder is requested to
  - a) add reflections on the year,
  - b) start assessing impacts
  - c) indicate planning adjustments for the next year,
  - d) provide graphs and overviews and
  - e) add –when possible- photographs/pictures.

The Annual Report may have an important role in public relations and promotion for the Project and for its fund raising. In that way its contents and presentation can indeed promote the achievement of the project goals.

2. Annual Reports shall be discussed and formally accepted by the governing authority. Preferably twice a year, but at least at the occasion of discussion of the Annual Report a thorough reflection on the progress and future of the project shall take place on Governing body + Management level as well as on Staff + Management level. Project management shall plan such discussions well in advance and make these structural rather than occasional.
3. Annual Reports and the respective Audited Financial Reports must be understood in the context of resource sharing within the Lutheran Communion. These reports shall be instrumental to create and maintain this 'support base' by ensuring accountability, confirming effectiveness of the respective activities and approaches and by creating an internationally understandable and realistic picture of the local situation.



The 6 month budget column: The budget for **this** 6 month period only. (When half year budgets do not yet exist please subdivide your present one year budget into 2 six months periods in order to be able to report the actual expenditures in "this period" against the respective half year budget.)

The actual expenditure column is for your **actual** expenditures during "this reporting period" only.

The last two columns are your options to present the variance. This depends on your own practice or tradition. LWF-DMD prefers the variation in percentage. Choose one or do both.

- The report on the half year period shall therefore have (at least) 5 columns: the budget headings, the full project budget, the mutually agreed budget for the respective half year period, the actual expenditures and the variance (either in currency or in percentage).
- The project shall have a confirmed budget for each reporting period. When there is no explicit correspondence on the subject, the approved budget (as originally sent with the letter of approval) is the budget to work with. This budget shall be broken down into 6 months periods.
- When the secured funding is lower than the requested budgets, the project management shall correspond with DMD in order to reach agreement on the adjusted budgets.
- In case the project needs an adjusted budget for practical or strategic reasons, the management shall send a proposal to DMD for consideration and approval.
- The auditor is requested to express his/her opinion on the accurateness of budget control.

**2. Sheet number 2: Accumulated expenditures** for the whole project (phase) to date

sheet 2                      Accumulated budget and expenditure for the period: ... .. till ... ..					
DMD ... .. 'project name'.....                      accumulated budget and accumulated actual expenditure					
in 'name local currency'.....					
	Total project budget	Budget for the accumulated period	Actual accumulated expenditures	Varia	ör
1.1 .....					
1.2 .....					
1.3 .....					
1.4 .....					
1.5 .....					
2.1 .....					
2.2 .....					
2.3 .....					
3.1 .....					
3.2 .....					
3.3 .....					
3.4 .....					
4.1 .....					
4.2 .....					
subtotal					
5 .....					
.....					
.....					
6.0 Reserve					
Total					
Date:		Name:		Stam	
		Function/title:			

This **sheet 2** (the second page of the financial report) is the report on the budget and expenditures for the accumulated periods in the project. In a 3 year project there are 6 reporting periods.

As from the 2<sup>nd</sup> reporting period the need for accumulated income and expenditure reports starts.

As example: for the 4<sup>th</sup> period of a project for 2001-2003 (three years) sheet 2 would show the combined budget figure for (budget) 2001-I and 2001-II and (budget)2002-I and 2002-II against the total accumulated actual expenditures in these first 24 months (4 periods of 6-months).

### 3. Sheet number 3: Report on Project Receipts and project balance

The sheet is divided in two halves: on the left for this period, on the right for the accumulated reporting periods in this project.

<i>sheet 3</i>		DMD ... .. 'number'; 'project name'			<i>Report on income and project balance</i>		
		as per (date + source):		opening balance	as per (date + source):		opening balance
1	<b>Opening balance</b>						
		<i>Income budgeted</i>	<i>This period:</i>	<i>from..... till.....</i>	<i>Accumulated:</i>	<i>from..... till.....</i>	
		<i>for the total project</i>	<i>budget</i>	<i>actual</i>		<i>budget</i>	<i>actual</i>
2	<b>Income</b>						
	from LWF during this period						
	from third parties:						
	Own contribution						
	Internal loan:	-	-				
	Advances:	-	-				
2	<b>Total income</b>						
3	Interest received		<i>for this period:</i>			<i>accumulated:</i>	
4	Subtotal (1+2 actual+3)			+			+
5	Actual expenditures		<i>for this period:</i>			<i>accumulated:</i>	
6	Balance as per: .....		<i>total actual exp. sheet 1</i>	-		<i>total actual exp. sheet 2</i>	-
	in bank						
	in cash:						
	in savings-account:						
	receivable:			Date:	Name:	Stamp:	Signature:
	payable:				Function/title:		

The sheet starts with the opening balance carried forward (1) and ends with the balance available (6) at the end of this reporting period.

- As opening balance for this period (the left part of the form) the closing balance from the previous period report on this project shall be used or the closing balance of a previous phase for a first report on a new phase (or '0' when it is the first period report for a new project)
- As opening balance for the accumulated periods (the part on the right) the final carry forward balance of a *previous* phase shall be provided **for all reporting periods** as opening balance for *this* phase (or '0' for a new project).
- The actual project balance for the current project period (6 left) and for the accumulated project periods (6 right) should be the same. (*In practice it may often not be the same and thus reveal small carrying forward or addition errors. As such it is a good test for the accuracy of the amounts carried forward and newly reported*).

The reference for this sheet is the income (project receipts) projection in the financing plan (see the DMD budget format). The block on the left represents those budget items for which third party and own contributions were projected. It represents all sources of receipts and the amounts foreseen for the total project period. For 'this period' the amounts of projected 'third party' and 'own' receipts shall be filled in. The new element in this last sheet is the emphasis on income monitoring (actual realized receipts against the projected receipts in the financing plan of the application).

#### 4. Monitoring, governance and accountability

Budget control on both the receipts and expenditure side will play a prominent role and needs strict monitoring. It is part of a process towards an increased capacity to plan, manage, implement and monitor projects.

- Proposals for budget adjustments (to DMD) shall accommodate changed needs that occur during project implementation. Your financial administration (the project accountant) shall provide this management information to the project leadership and to the governing body (board, committee, synod, etc.)
- Interim financial reports for a 6 months period shall be sent to LWF only after being received and approved by the governing body. For practical reasons (time delays) this is often left out, but DMD encourages the member churches and their related organizations to include this in their procedures and time planning when practically feasible.
- LWF-DMD requires formal receipt and approval by the governing body of Annual Reports. It is a requirement for the annual **narrative** report and the (annual) **audited** financial report.

#### 5. Time frames

Similar to the narrative reports financial reports shall arrive in the DMD office before 3 months have past since the end of the reporting period. This allows discussion and adoption of the reports in your governing body (as indicated in paragraph 4 above).

Audited accounts shall be received by LWF-DMD not later than 180 days after the end of the relevant fiscal year. Non-adherence to these timeframes must be understood as signs of institutional weakness.

## 6. Over- and under-expenditure

While overdrafts on individual budget items shall be avoided, these shall be substantiated -if they do happen- with an explanation quoting the reasons for the overspending in the financial statements/audits. (*see clause 3.3 of the Project Agreement*).

Not only *over*-expenditure must be explained, but also the *under*-utilization.

1. As a rule variances between plus or minus 10% do not need to be extensively elaborated.
2. Variances exceeding plus or minus 10% shall be explained in the narrative report (paragraph 2) and the related constraints shall be analyzed.
3. Realization of less than 80% and more than 120% shall be explained in the narrative reports and by the auditors. Such deviations normally require prior consent by DMD.

The management report of the auditors shall provide recommendations for measures to be taken to avoid such over- and under-expenditure in the future.

The issue of serious over- and under-expenditures shall appear as an area of concern in the regular activity reports by the project management. As soon as the project management observes serious under- and over-expenditure LWF-DMD shall be notified and consulted.

## AUDITING

### **Audit report**

Once a year the financial accounts of the project shall be audited by a Certified Public Accountant (the Auditor).

The audited report shall be co-signed by (preferably) the Treasurer (or the Chairman) of the governing body and by the Project Director (or the development director).

(On the options between brackets: in principle LWF-DMD accepts the internal structure and procedures of the church or organization. Both levels (management and governing body), however, need to be correctly represented).

The audit report shall be signed and stamped by the Auditor with his original initials on each page.

The audit agreement has been further elaborated with respect to the contents of the management report and the required levels of detail for financial data.

The audit report shall present the actual expenditures against the approved, official budgets for the year under review (similar to the project's internal financial reports). The audit report must also present the accumulated project expenditures against proportional (accumulated) budget.

Full requirements with respect to audit work are spelled out in the revised Audit agreement.

### **Project balance and balance sheet issues**

Only once a year a balance sheet shall be presented. When internal instructions imply more frequent production of a balance sheet, please share these with LWF-DMD on voluntary basis.

- Please note that the balance between the expected LWF receipts and the actual LWF receipts can not be booked as a 'receivable'. There is no legal entitlement to the LWF-DMD contribution, except within the framework of the Project Agreement. When LWF receipts –as part of the total receipts- falls short of expenditure only a deficit (excess of expenditure over receipts) shall be identified (as balance).
- According to the Audit Agreement signed between LWF-DMD, the Auditor and the project holder, the latter is in many cases required to present the project accounts and the project balance in the context of consolidated accounts (clause 1.2.1) for the whole institution. In that case the consolidated balance sheet shall clearly spell out (with reference numbers) all project balances as 'designated funds', either under 'current assets' or under 'current liabilities' (depending on separate bank accounts maintained for projects and project surpluses or deficits).
- Internal loans or advances shall be clearly registered on sheet 3 (lower part of section 2). These are not planned –also not desirable- but do happen in certain cases. Sources shall be clearly indicated on the reporting form (sheet 3) and the concern shall be expressed in paragraph 2 (the financial narrative) in the narrative report.

- In the lower left corner of sheet 3 there is an optional space to register payables and receivables. Since the reporting basis is usually on receipts and payments only, the balance/deficit may in some cases be somewhat distorted due to substantial accounts payable or receivable. When this has a substantial effect on your short term cash flow, please provide this information here and refer to it and elaborate this in the financial narrative (paragraph 2 of the narrative report).
  
- Paragraph 8 of the Project Agreement lists requirements with respect to project Assets and their representation in the balance sheet. Clause 1.2.2 first bullet and clause 2.1.3 and 2.2.1 in the Audit Agreement detail the requirements for the Auditor. If so desired, LWF-DMD can provide a so-called '*Preferred lay-out for Audit Reports*' as a guideline to the Auditor.

## REVOLVING FUNDS

### **Revolving funds**

Paragraph 8.2 of the Project Agreement provides requirements in relation to Revolving Funds. Contributions to Revolving Funds shall be registered as 'expensed' under the respective budget heading and subsequently taken up as a fund under current assets/liabilities in the balance sheet.

The state of affairs including the summary of movements during the period shall be reported in a transparent format (LWF-DMD provides reporting sheet 4 as an example for this purpose).

- The reporting shall be geared to monitor 'receivability' of outstanding loans. For that matter loans shall be grouped in order of seniority. Especially outstanding loans that are long overdue shall be closely scrutinized.
- Interest earnings and administrative charges shall be registered separately, while the source to be utilized for writing off 'bad debtors' shall be identified and separately administered.
- Repayments, fees and interests are normally added to the particular fund to which these repayments, fees and interests relate.
- If the particular fund is terminated the fund balance and all income still to be collected shall be recorded as designated income to the project. Designation of this income for a specific purpose (budgeted or not budgeted) can be negotiated with LWF-DMD.
- The example reporting format (sheet 4) is designed to represent two separate revolving funds. When the project administers more revolving funds the project shall design a transparent reporting format, providing a similar level of detail (both on historic data as on 'this period') as the provided format in sheet 4.

The balance(s) of the (various) revolving fund(s) shall be (distinctively) presented in the balance sheet under current assets (see Audit Agreement clause *1.2.2 first bullet*).

In consultation with the Auditor the project shall determine representation of the (respective) fund(s):

- in total under liabilities, and
- the actual position under assets as a) debtors/receivables and b) 'in hand/bank'.

### **A deficit or surplus from a previous project phase**

Normally a deficit or surplus from a previous project phase shall be recorded as a (positive or negative) opening balance in the financial reporting formats. In the internal reporting this previous phase surplus or deficit shall therefore 'disappear' in the reporting on the second period reporting (except in sheet 3 no. 1, the accumulated figures on the right hand side).

Also in the audit report it should disappear from the annual accounts after the first year of the new/present project. In the 'accumulated' overview it remains.

Certain LWF back donors do not allow previously incurred deficits in 'new' project reporting. In these cases DMD will provide specific instructions.