

Checklist for examining budget and actual reports

1. How old is the report and what is its status?

- The older the report the less useful it is ... ask for a more up to date version.
- Ask whether the report includes adjustments for 'accruals' (items that are due for this period and have not yet been paid) and/or 'prepayments' (items for a future period that have been paid in advance. Whatever the answer, this may help to explain some under/over spendings.
- Ask how the budget has been phased over the project period/year. If divided equally by 12 months, it is likely that the spending pattern may not be the same. This may explain some under/over spending caused by timing differences.

2. Review expenditure totals

- Compare total amounts for budget and actual – what is the difference (variance)
- Is the total difference within the boundaries of what your organisation and/or the donor will accept? Check donor regulations. Some donor's requirement is for it to be 'within 10%'.
- If income is an important part of for example a partner's sustainability, ask if the income budget is on target. If not, ask why not. Who are they waiting for funds from? Make sure it's not you!
- Try as far as you can to have donor income received at the same rate as expenditure is being paid. Ask for the funding in advance where possible.

3. Review sub-categories totals

- Compare total amounts for budget and actual – what is the difference (variance)?
- Is the total difference within the boundaries of what your organisation and/or the donor will accept? Check donor regulations. If the donor requirement is, for example, within 10% at this level this means for their purposes it's alright to under/overspend within individual categories as long as the sub total is within this 10% limit.

4. Review each line of the budget

- Even if the donor is happy at the sub-total level, they would expect you to monitor individual budgets. Especially if there is an extreme under or overspending on particular items. If there is a variance percentage column glance down, check for high differences and find out the reason.
- With a donor who does not worry too much about individual lines amounts, still review and make sure the programme timing is on target and represents good value for money.
- Make sure 'notes to explain the reasons for under/over spending' are included with the budget, and look plausible. They need to be cross-referenced to the budget. Ask for further explanations from the person managing the budget as needed.
- Be aware that items could have been mischarged (or 'miscoded'). If the budget looks under or overspent review the detailed list of expenditure to make sure everything you were expecting appears there.

5. Working with donors

- Be aware of the implications of overspendings in donor funded project. Will the donor be prepared to fund these? If not, will your organisation be able to?
- Be aware of under spending as well. If money has not been spend the donor may want a refund unless you are able to negotiate a change of use.
- Make sure you review budget and actual reports regularly (for example every 3 months) and discuss the consequences carefully. Talk with donors about their flexibility to allow transfers from one budget head to another, and to provide 'no-cost extensions' if the programme is running more slowly than anticipated.

6. Making connections

- Identify how different items in the budget are linked together. For example, if the driver's salaries are higher than budgeted, is there also more expenditure on vehicle fuel and spare parts. If not, ask why.
- If one area of expenditure is more/less than expected, make sure that similar budget items are following the same pattern. If not, ask why.
- Look for any unusual items (in a detailed list of expenditure) and follow-up.
- Be aware of 'miscoding' (see paragraph 4 above), but also consider possible theft or fraud may be reflected in these figures.
- Compare the financial report with the narrative report. These may be written by different people. Make sure the figures are comparable in each report. Also ensure that the explanations for budget differences, shown in the narrative report, are summarised in the 'notes' to the budget.

7. Keep asking questions and negotiating

- Ask questions of the person responsible for managing the budget until you are satisfied with the answers you receive.
- Try and fix a time to talk with the person (for example through Skype) to receive answers to the questions. Follow up with email.
- Maintain good relations with the donor representative(s). Contact them as soon as something looks as if it will be a problem. If you ask after the project period, donors may say no to your request!
- Try and provide (in advance) answers to questions you think donors may ask. This will increase your credibility and chances for future funding requests.