

## **Checklist for examining budgets**

### **1. Identify the budget status**

- Is it a draft, second draft, final version of the budget?
- When was it produced?
- Who produced it?

### **2. Compare the content**

- If for an ongoing programme/organisation, try and compare with a previous year/period's budget (and also actual income and expenditure if available). Identify any differences between the periods.
- If it is for a new programme, compare the content with other similar programmes in the same country if you can.

### **3. Overall review of budget**

- Look at totals across the time frame (possibly several years) and compare with the agreed amounts of funding.
- Identify whether the proportion of co-funding is accurate.
- Ask if all proposed funders have actually agreed to pay (in writing).#
- Will the budget achieve the programme objectives?

### **4. Detailed review**

- Look at individual expenditure budget lines and see if they are realistic – does anything look excessive, or not enough?
- Have 'indirect' (administrative) costs been included, or will these be paid for separately?
- Look at capital items – is anything excessive? Are any of the items already available in the programme/organisation? Have/will several quotes been obtained for larger items (donors may require this too)? If so, is the budget based on this? Are all the items necessary?
- Look out for rounded figures that appear to be too general, for example 10,000. Follow these up for a breakdown. Also question any 'miscellaneous' or 'contingency' budgets.
- Is the number of units and the cost per unit included throughout.
- Are any items missing? For example, audit and evaluation, insurance?
- Are the calculations correct?
- Are 'notes' shown to provide a full breakdown for you and the donors.

### **5. Inflation and exchange rates**

- Check whether sufficient amounts have been included for inflationary increases. Firstly, from now until the project starts; and secondly for future years. Consult the donor regulations to see what their policy is. Challenge amounts that remain the same for several years. Compare any published rates for the country.
- If just one inflation rate has been included throughout, ask whether this is realistic. Expenditure items often increase at different rates.
- Check too for changes in salaries due to annual incremental increases.
- Establish which currency the budget has been prepared in, and if converted to another currency show clearly the rate. Find out what your own organisation's and donor's policies are if the rate changes significantly. Will there be any claim for further funding?

## **6. Cash flow**

- Make sure the total budget amount for each item has been 'phased' over the year/project period. Make sure items that will be bought in a particular month are weighted accordingly, for example the equipment budget which may be all be spent in the first month.
- Has a separate 'cash flow forecast' been prepared to reflect when money will come in and go out of the programme/organsioation?

## **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.
- Try and provide (in advance) answers to questions you think donors may ask. This will increase your credibility and chances for future funding requests.



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