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INTERNATIONAL SERVICE FOR HUMAN RIGHTS

Empowering and Protecting Human Rights Defenders

under the

Peace and Stabilization Operations Program

Financial Capacity-Building Activities

Purchase Order:	7384925
Project Number:	PSOPs 17-052
Reference for the financial compliance unit:	F1416-7384925

Final report: August, 20, 2018

FCBA RECORD OF DECISION – International Service for Human Rights.

**Empowering and Protecting Human Rights Defenders
Peace and Stabilization Operations Program (PSOPs 17-052)**

Geneva, Switzerland, July 9, 2018

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SCOPE OF ENGAGEMENT

Global Affairs Canada (GAC) / Department of Foreign Affairs, Trade and Development (DFATD) contracted the services of Raymond Chabot Grant Thornton (“RCGT”) to conduct a review of the Financial Capacity Building Activities (“FCBA”) of International Service for Human Rights (“ISHR” or the “Organization”) in relation with Contribution Agreement PSOPs 17-052- Empowering and Protecting Human Defenders under the Peace and Stabilization Operations Program (the “Project”).

FINANCIAL CAPACITY-BUILDING ACTIVITIES (FCBA) OBJECTIVES:

- Support the Organization in strengthening its accounting information and internal control system to ensure better financial management of the Project;
- Strengthen the Organization’s understanding of the General Terms and Conditions of the Agreement, with emphasis on the financial terms and conditions;
- Strengthen the Organization’s capacity to produce reports that will meet GAC’s requirements; and
- Strengthen the Organization’s capacity to achieve GAC’s administrative requirements for the management of the Agreement.

This is the first project financed through a DFATD contribution that ISHR is having. Because they are used to have from other donors, funds through grant agreements, we discussed the difference between a grant and a contribution agreement mainly clarifying the financial reporting requirements applicable.

REPORT OBJECTIVES

The purpose of the report is to summarize the discussions held during the FCBA meeting by focusing on observations that need to be addressed by the respective parties. The report will be in short-term, without repeating the meaning of each clause; instead, it will focus on action items requiring follow-ups with the respective representatives.

PROJECT SUMMARY

The project aims to enhance the safety and impact of Human Rights Defenders (HRDs) work, both at the global and national levels, by capacitating HRDs and supporting the establishment of effective protection mechanisms. It will contribute to strengthening the legal protection and recognition of HRDs in target countries Cote d’Ivoire, Mali, Tunisia, China and Venezuela.

Location of documentation in case of A recipient audit:

- Original supporting documentation for the expenses incurred in Switzerland will be available at the Organization’s offices in Geneva, Switzerland. For partners organisations in the field, IHSR is requesting that their partners provide supporting documentation when transmitting their financial reports. Therefore, if an audit is required, all the supporting documentation would be available in Geneva.

A complete list of appropriate supporting documentation by expense category, is included in Appendix B of this report.

PARTICIPANTS:

Representatives of International Service for Human Rights:

- Philip Lynch, Director
- Vincent Ploton, Director of Development & Treaty Body Advocacy
- Michael Ineichen, Programme Director
- Marina Dailly, Finance Director
- Eva Homolkova, Fundraising Officer

Representatives of Global Affairs Canada:

- Glenn Brigaldino, Senior Programme Officer

Representatives of Raymond Chabot Grant Thornton:

- Gilles Séguin, CPA, CA

Note: DFATD, Global Affairs Canada and GAC terms are used interchangeably in this document. Since the Department's name has not been amended by Parliament, official documents (Contribution Agreement) continue to refer to DFATD. Any other documents can use Global Affairs Canada.

ACTION ITEMS/NEXT STEPS

This table will serve as a tracking tool for all parties.

Completed at the draft stage by the auditor			Completed at the draft stage by the project officer, in collaboration with the contract officer	
Observation #	Clause #	Observations Requiring Follow up Action	Global Affairs Canada's Decision	Action Assigned to: (i.e.: Contract Officer/Program, Organization)
1	4.04	The Organization highlighted the fact that there is no clause in the agreement about survival of some clauses after the expiry date of the Agreement. They consider that clause 4.04 might not be legally valid. As it is a legal situation RCGT is not commenting on this aspect. DFATD should clarify.	As the organisation has signed an agreement that stipulates that documents should be kept five years after the expiry date of the agreement, such documents can be requested beyond the CA's expiry date.	
2	6	Article 27.02 requires the Organization to have signed agreements between them and their sub-contractors that should be consistent with the provision of the Agreement between DFATD and ISHR. It should apply to all sub-agreements signed. Article 6.03 – Anti-Terrorist Financing, 7.04 Anti-Corruption, and 8.03 International sanctions are not consistent as 7.04 and 8.03 refer only to sub-agreements and 6.03 refer to sub-agreements and sub-contracts.	PTL will inform ISHR that clauses 7.04 and 8.03 also apply to sub-contracts. Contracts template manager will be advised to update its wording in future CAs	

Completed at the draft stage by the auditor			Completed at the draft stage by the project officer, in collaboration with the contract officer	
Observation #	Clause #	Observations Requiring Follow up Action	Global Affairs Canada's Decision	Action Assigned to: (i.e.: Contract Officer/Program, Organization)
3	1.1.1 Appendix B	<p>Time sheets are not used at ISHR. The employees' working time allocated to the programs and projects of the Organization is indicated in the weekly work plan and in the Smartsheet for activity planning. They will establish, for a number of months in advance, the expected level of effort required from each employee involved and the allocation to the project will be done accordingly to this information.</p> <p>The Organization mentioned that, for this specific contribution agreement, they implemented a "Time-reporting system" in which on a weekly basis, employees involved in the project will indicate the actual time they consider they have worked on the project. This data will include only information regarding the project and not other projects or activities they are involved in. It will be compared with the allocation; therefore, they might review the allocation based on the "Time-reporting system".</p> <p>DFATD should confirm that it is comfortable with the time allocation system proposed by ISHR.</p>	<p>ISHR proposal is deemed adequate, provided that actual time worked on the project is captured.</p> <p>PTL will contact ISHR asking them to confirm the above.</p>	

***Once the final report is received, it is up to the Project Officer to notify the necessary groups on the follow-up actions.**

The table below is to address the essential contribution agreement clauses during the FCBA meeting. All other clauses, related to the project, must be discussed and added to the table.

GENERAL		DFATD vs. GAC
Article	Sub Article	PRECISIONS/OBSERVATIONS
1. The Project	1.04	<p>Precisions:</p> <ul style="list-style-type: none"> • Changed to the scope or the nature of the activities that do not affect the total budget or the duration and do not significantly affect the overall purpose and expected results shall be agreed to by DFATD in a written exchange between the Parties. The DFATD Senior Program Officer would have the authority on behalf of the Department. • Changes that would significantly affect the project overall purpose and expected results, and/or modify the total budget or duration shall be agreed and result in a formal amendment that could be initiated by the DFATD Senior Program Officer, but would need the approval and signature at the DFATD management level. • The determination of “significantly affects” is at the discretion of DFATD. <p>When indicating that an amendment is needed if the total budget is affected, it is understood that it refers to DFATD’s contribution and the contribution of Other sources.</p>
2. The Contribution	2.01	<p>Precision: DFATD shall make a financial contribution to the Recipient, with respect to the eligible costs of the Project, up to a maximum of \$610,392 for the duration of the Project.</p>
	2.02	Discussed
	2.03	Discussed
	2.04	Discussed

GENERAL		DFATD vs. GAC
Article	Sub Article	PRECISIONS/OBSERVATIONS
	2.05	Discussed
	2.06	<p>Precisions:</p> <ul style="list-style-type: none"> • The Contribution Agreement expires on June 30, 2019; • Article 5.04 indicates that unused funds must be return to DFATD by the Recipient by June 30, 2019; • Article 27.10 indicates that Final reports should be submitted by March 30, 2019. • Article 1.3 of Appendix A specifies that activities are to be completed by March 29, 2019. After that date, only costs related to the demobilization of Personnel, disposal of assets and preparation of final reports will constitute eligible costs under the Agreement; <p>Therefore, it is expected that no expenses should be incurred between March 31, 2019 and June 30, 2019.</p> <p><i>Comments</i></p> <p><i>The Organization is concerned about the very tight delay (2 days) between the end of activities and the date for submitting the final report. It was agreed that between October 2018 and the end of December 2018 their will be discussions between DFATD and ISHR about the expectations regarding the actual date of the end of the activities and the date of final reporting.</i></p>
	2.07	Discussed
	2.08	Discussed
3 Funding	Entire article	Discussed.
4 Record and audit	4.01	Precision:

GENERAL		DFATD vs. GAC
Article	Sub Article	PRECISIONS/OBSERVATIONS
		Financial records and supporting documentation of the Organization's partners must be available if an audit is required by DFATD. A list of required supporting documentation is attached to this report.
	4.02	Discussed
	4.03	Discussed.
	4.04	<p>Precision: The Organization must maintain their records and supporting documentation for a minimum of five years in case of an audit.</p> <p>Observation 1: The Organization highlighted the fact that there is no clause in the agreement about survival of some clauses after the expiry date of the Agreement. They consider that clause 4.04 might not be legally valid. As it is a legal situation RCGT is not commenting on this aspect. DFATD should clarify.</p>
	4.05	<p>Precision: The cost of an audit required by DFATD is at the charge of DFATD and not the Organization.</p>
5 Payments and reports	5.01	Discussed
	5.02	<p>Precision: If other sources of funds are received for the project in addition to those already mentioned in the contribution agreement, DFATD might review its contribution amount.</p>
	5.03	Discussed.
	5.04	Refer to comments at article 2.06.

GENERAL		DFATD vs. GAC
Article	Sub Article	PRECISIONS/OBSERVATIONS
	5.05	<p>Precision:</p> <p>The contribution is based upon the total cost of Project, including all sources of funding, being \$981,686. There is a budgeted contribution of Other sources for an amount of \$371,294. Financial reports must include all expenses of the project from all sources of funding. If total expenses of the project are lesser than \$981,686, DFATD may reduce its contribution at a pro-rated amount.</p>
	5.06	<p>Precision</p> <p>It was mentioned that, if an audit were to take place, no supporting documentation will be required to demonstrate the actual expenses incurred by the Organization that are considered covered by the fixed overhead rate of 12 %. It is mentioned that the 12% overhead contribution is applicable only on DFATD’s portion of the contributions; however as per the budget (Annex C) a 12% contribution is also calculated on the Other source contribution; this has no effect on the DFATD contribution.</p> <p>We discussed the differences between the costs covered by the fixed overhead rate of 12% and the Project Administration costs allowable as per article 1.3.1 ix (Appendix B) – Operations and administration directly related to conducting the project.</p>
6. Anti-Terrorist Financing	Entire article	<p>Observation 2:</p> <p>Article 27.02 requires the Organization to have signed agreements between them and their sub-contractors that should be consistent with the provision of the Agreement between DFATD and ISHR. It should apply to all sub-agreements signed.</p> <p>Article 6.03 – Anti-Terrorist Financing, 7.04 Anti-Corruption, and 8.03 International sanctions are not consistent as 7.04 and 8.03 refer only to sub-agreements and 6.03 refer to sub-agreements and sub-contracts.</p>

GENERAL		DFATD vs. GAC
Article	Sub Article	PRECISIONS/OBSERVATIONS
		We suggest to the organization to include in their Sub-agreements and Sub-contracts provisions as per article 6.03, 7.04 and 8.03.
7. Anti-Corruption	Entire article	See comments and observation at article 6.
8. International sanctions	Entire article	See comments and observation at article 6.
9. Announcements, Ceremonies and Official Languages	Entire article	Discussed.
10. Termination, Reduction or suspension	Entire article	Discussed
11. Compliance	Entire article	Discussed
12. Budget Review	Entire article	Discussed
13. Liability	Entire article	Discussed
14. Indemnification	Entire article	Discussed
16. Monitoring and Evaluation	Entire article	Discussed
18. Amendment	Entire article	Precision: More details were given for a situation that would require an amendment to the Contribution Agreement. Refer to precisions indicating in article 1 of this report.
20. No employee or Agency Relationship	Entire article	Precision: The Organization confirmed that no employee will be also acting as a sub-contractor.

GENERAL		DFATD vs. GAC
Article	Sub Article	PRECISIONS/OBSERVATIONS
21. Conflict of Interest	Entire article	Discussed
23. Refunds and Interest on Advances, Overpayments, Disallowed expenses, Unexpended and Unaccounted Balances	23.01	<p>Precision:</p> <p>DFATD may determine that the interest earned on advances paid would reduce the disbursement of their contribution or could authorized IHSR to use the funds for activities related to the project.</p> <p><i>Comment</i></p> <p><i>The Organization confirmed that funds are deposited into an interest-bearing bank account. However, the interest rate is very low in Switzerland and a very minimal amount of interest is expected to be earned.</i></p>
	23.02	Discussed
24. Equipment and Material Purchases	Entire article	<p>Precision:</p> <p>Purchases of some equipment is expected. As the project ends in 2019, this equipment should be included in the disposal plan at the end of the project.</p>
26. Procurement and Subcontracts	26.01	Discussed
	26.02	Discussed
	26.03	<p>Precision:</p> <p>We have been provided with the procurement policy of ISHR included in their Financial Rules & Regulations document. It required that a competitive process is required for all purchases of goods or services exceeding 500CHF. We consider that the policy is adequate to guide ISHR personnel when managing procurement activities.</p>
27. Miscellaneous	27.01	Discussed

GENERAL		DFATD vs. GAC
Article	Sub Article	PRECISIONS/OBSERVATIONS
	27.02	Discussed
	27.03	Discussed
	27.04	Discussed
	27.05	Discussed
	27.06	Discussed
	27.07	Discussed
	27.08	Discussed
	27.09	Precision: The effective date of the agreement being February 1st, 2018, any expenses incurred before this date would be considered as a non-eligible expense.
	27.10	Precision: International Service for Human Rights should submit Final reports by March 30, 2019. See comments at article 2.06.
	28.11	Discussed
29. Entire Agreement	Entire article	Discussed

Article - Appendix A – Project Description and Reporting Requirements	Sub Article	PRECISIONS/OBSERVATIONS
1. Description	1.3	<p>Precision:</p> <p>Refer to comments and observation at 2.06 of the General section of this report regarding date of completion of project activities.</p>
2. Interim reports	2.2	<p>Precision:</p> <p>We clarified that the limit of 10% of any variances per activity are cumulative and are to be compared with the total budget of each activity outlined in Appendix C.</p>
3. Final Reports	3.2.3	Discussed
Appendix B – Terms of Payment	Sub Article	PRECISIONS/OBSERVATIONS
1. BASIS OF PAYMENTS		<p>Precision:</p> <p>As DFATD is providing advances to the Organization, the expenses incurred must also be incurred and paid before including them into the financial reports.</p>
1.1 Salaries and fees	1.1.1	<p>Precisions:</p> <p>The Agreement indicates that a maximum of five working days per week can be charged to the project when working in Canada. As the ISHR office is in Switzerland, ISHR is not affected by this mention.</p> <p>Timesheets:</p> <p>We discussed about the expected format of a timesheet as per DFATD’s template mentioned in the agreement. Timesheets should be signed by the Employee and the Employee’s supervisor (if an electronic time keeping system is not available). Timesheets should also indicate the Project,</p>

		<p>the name of the Employee, the date, location, nature of the work, number of hours worked per day specifically in the Project as well as the total number of hours worked per week on all projects.</p> <p>If salaries are paid to employees for time worked beyond the timeframe identified in the Agreement, the amount won't be reimbursed by DFATD but shall be considered as part of the Recipient's contribution to the project.</p> <p>Observation 3</p> <p>Time sheets are not used at ISHR. The employees' working time allocated to the programs and projects of the Organization is indicated in the weekly work plan and in the Smartsheet for activity planning. They will establish, for a number of months in advance, the expected level of effort required from each employee involved and the allocation to the project will be done accordingly to this information.</p> <p>The Organization mentioned that, for this specific contribution agreement, they implemented a "Time-reporting system" in which on a weekly basis, employees involved in the project will indicate the actual time they consider they have worked on the project. This data will include only information regarding the project and not other projects or activities they are involved in. It will be compared with the allocation; therefore, they might review the allocation based on the "Time-reporting system".</p> <p>DFATD should confirm that it is comfortable with the time allocation system proposed by ISHR.</p> <p>Salary increases</p> <p>Precision:</p> <p>As per the ISHR Financial Rules & Regulations, salary increases will be considering factors including salaries at comparable or "competitor" organizations, staff and organizational performance, the need to increase salary parity across the Organization, the consumer price index as rate of inflation or deflation, and ISHR's financial position. The Director will specify the incremental increase for the following year. The Board would approve the annual increase rate.</p>
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		Proposed changes to the pay scales of its Project personnel must be approved by DFATD at least one month before the effective date.
	1.1.2 Fees – Subcontractors with Arm’s Length Relationship with the Recipient	Precision: We highlighted and defined more specifically the Arms’ Length Relationship
	1.1.3 Local costs	Discussed
1.2 Travel Expenses	1.2.1	Precision: We indicated which supporting documentation the Organization should have on file to demonstrate that they obtained the best reasonable airfare available at the time of the reservation.
1.3 Project-Related expenditures	1.3.1 Eligible expenses	Precisions: ix. - We indicated that all amounts must be charged to the project at actual costs. If expenses are allocated from internal charges, it is inappropriate to use a fair market-value; determination of the actual costs is required. xv – Cost of overhead expenditures We discussed the distinction between those costs covered by this category, and those that should be consider as being funded by the 12% markup mentioned at item 1.4 – Overhead.
	1.3.2 Ineligible Expenses	Precision: We discussed that item vii- immunization, medications and medical insurance may be acceptable as they are included in x and xiii (section 1.3.1) as eligible expenses.
1.4 Overhead		Precision:

		It was indicated that, in case of an audit, no supporting documentation will be required to demonstrate the actual expenses incurred by the Alternatives Inc. Inc that are covered by the 12% overhead allowance.
1.5 Exclusion of recipient's profit		Discussed
2.0 Method of payment	Entire article	Discussed
Appendix C – Budgetary Estimates	Entire article	Precision: Variances in excess of 10% (over and under) in any budgetary activities must be justified in financial reports and approved by DFATD. These will normally not require a formal amendment to the Agreement if the total budget remains unchanged.

APPENDIX 1: INTERNAL CONTROLS OVERVIEW

Accounting system

The ISHR utilizes the accounting software GIT, which has a module for accounting and a module for payroll. The Finance Manager and the Finance Officer have access to the accounting module. A Chart of Accounts was developed in order to have income and expenses and fund balance separated between programs and projects. The accounting data is stored on the ISHR server and back-ups are performed on a weekly basis. As per an external Financial Management Assessment done for the year 2017, “The quality of ISHR’s bookkeeping and financial reporting is on a high level; it fulfills the needs of a non-profit organization with multiple donors, programmes and projects”.

Therefore, if an audit is required, the auditor should have easy access to the listing of transactions applicable to the project that reconcile with the financial reports provided to DFATD.

Financial Management

We were provided with the **ISHR Financial Rules & Regulations**, a document last updated in December 2017. These rules are established by the Director and govern all financial activities of the Organization, unless otherwise stated by ISHR’s Board or Director. We have highlighted the following items from this document:

- 2.4 Budgeting for Programme Activities:
 - Programme Managers are responsible for planning, initiating and managing the effective and efficient utilization of resources as approved by the Director and according to the *grants conditions of their relevant programme*;
- 3. Utilization of Funds:
 - The required grants’ appropriation and conditions shall be specified on the grant monitoring database (Smartsheet) that should include relevant information such as: specific donors’ condition, disbursement timing, grants’ period implementation period, report due dates and responsible manager.
- 3.3 Programme related Travel & Other mission expenses:
 - b) establish that Per diems will not be payable for missions in relation to which an item-by-item expense system is feasible, such as missions in Europe and North America. In other situations the Director may determine that a per diem is payable to cover meals, local transport and other miscellaneous costs. This will ordinarily be at the rate of 70% of the United Nations’ rate.
 - c) For participants, if not mentioned in the grant document, a per-diem of 50% of the United Nations’ rate shall be applied.
- 3.4 Board members travel costs.
 - They are provided with a daily per-diem allowance of CHF60.
- 5. Internal control
 - 5.1 - All payments and bills are reviewed and executed for payment by the Finance Manager and the Director signs the final approval to authorize the e-banking payment.

- A second e-banking visa should be performed by another certifying officer besides the Finance Manager.
- 5.3 – Procurement process: Unless otherwise determined by the Director, procurement contracts and contracts for services over CHF500 shall be awarded to eligible suppliers via a competitive and selection of at least three providers; the required documentation is also outlined.

Financial Assessment

A financial assessment of ISHR was performed by an independent consultant for the year 2017. The report outlined a number of financial management process and strengths that are in place at ISHR, such as the following:

- Internal procedures are regulated in detail in eleven different policies;
- The annual institutional audit results of the last years were unmodified in conformity with Swiss GAAP;
- The Board is actively involved in all major programmatic and financial decisions;
- All expenses are duly authorised by the Executive Director or his Deputy;
- The accounting system is adequate; and
- Salary scales are approved by the Board.

The assessment also showed some weaknesses such as the following:

- No anti-fraud and anti-corruption policy;
- Finance Manager does not countersign the bank reconciliation;
- Lack of documentation regarding the selection of the most advantageous offer in tender selection.

Management of IHRS replied positively to these recommendations by confirming they will be looking to implement actions in order to address these situations.

Timesheet

Time sheets are not used at ISHR. The employees' working time allocated to the programs and projects of the Organization is indicated in the weekly work plan and in the Smartsheet for activity planning. They will establish, for a number of months in advance, the expected level of effort required from each employee involved and the allocation to the project will be done accordingly to this information.

The Organization mentioned that, for this specific contribution agreement, they implemented a "Time-reporting system" in which on a weekly basis, employees involved in the project will indicate the actual time they consider they have worked on the project. This data will include only information regarding the project and not other projects or activities they are involved in. It will be compared with the allocation; therefore, they might review the allocation based on the "Time-reporting system".

Foreign exchange

ISHR is having a policy for foreign exchange conversion rate that could results in a gain or a loss on exchange rates. We discussed the weighted-average method using the actual rate at the time of the advances received from DFATD; ISHR agreed that they will use this method when preparing financial reports for the project.

ANNEX A

	Additional Questions asked by the Auditor during the FCBA	Yes	No	Ref*
	Remuneration and Fees			
1	The organization (HQ and Local) uses timesheets and is able to provide a complete example at the time of the meeting? (If yes, see attached)		X	1
2	The organization follows Global Affairs Canada’s Policy on Annual Fee and Salary Increases (for Development program only)?		N/A	
3	Is the organization claiming indirect costs as direct costs? (employees’ salaries not only assigned to the project)		X	
4	Will the organization hire its own employees as consultants or employees of related organizations?		X	
5	At the time of the meeting, the organization can demonstrate by timesheets or other documentation the value of the service offered and time spent on the project of a non-monetary contribution (in-kind)? (If yes, see attached)	N/A		
6	In the travel context, the organization is ensuring a competitive price by requesting 3 different quotes for airfares and is able to provide an example at the time of the meeting? (If yes, see attached)	X		
7	Will the organization obtain a gain or a loss at the end of the project based on their methodology used to calculate the exchange rate?		X	
	Additional Questions asked by the Auditor during the FCBA			
8	Is there any earned interest in the bank account where Global Affairs Canada transfers funds?	X		
9	Is the organization billing transactions to themselves?		X	
10	Does the project include any loans/micro financing or repayable contributions?		X	
11	At the time of the meeting, the Organization can demonstrate that when specific expenses require pre-approval by Global Affairs Canada, the organization sends a request by email, prior to the expense, and keeps a copy on file? (If yes, see attached)	N/A		

Name and signature of the Accounting Firm: Raymond Chabot Grant Thornton Date: August 20,2018

*Reference to the observation # of the Action items table.

ANNEX B - APPROPRIATE SUPPORTING DOCUMENTATION BY EXPENSE CATEGORY

Clause	Expense Category	Appropriate Supporting Documentation
1.1	Remuneration – Organization’s Employees in Canada and Overseas	<ul style="list-style-type: none"> • Signed and approved timesheets indicating project, location and time claimed per project, per day and per week • Payroll register to support salary rate calculation, fringe benefit rate and payment of salary to employee • Bank statements to support payment of payroll • Attendance records
1.2	Remuneration – Local Employees	<ul style="list-style-type: none"> • Payroll register to support salary rate calculation, fringe benefit rate and payment of salary to employee, receipt, bank statement to support payment of payroll • Signed and approved timesheets indicating project, location and time claimed per project, per day and per week • Attendance records
1.3	Annual Direct Salary Increases	<ul style="list-style-type: none"> • Collective agreement in effect when salary costs were claimed or • Evidence of board of directors’ decision • GAC’s prior written approval
1.4	Fees – Subcontractors with an Arm’s Length Relationship with the Organization	<ul style="list-style-type: none"> • Original invoices making reference to the project and indicating the rate and time spent per day and per week on the project • Proof of GAC’s prior approval for exceeding 37.5 hours per week • Cancelled cheque and bank statement to support amounts paid • The subcontracting agreement must comply with the financial instrument with GAC. • Procurement records in support of consultant selection process

Clause	Expense Category	Appropriate Supporting Documentation
1.6.1	Reimbursable Costs – Travel Costs	<p>Airfare:</p> <ul style="list-style-type: none"> • Original airline ticket and travel agent invoice supporting expense claimed and indicating fare taken • Boarding pass and/or other corroborating information (expense report, airport tax receipts, and hotel bills) indicating that the trip was taken • Copy of 3 travel itineraries supporting the lowest fare <p>Private transportation, accommodation, meals, incidentals:</p> <p>Expense reports indicating traveler, purpose and location of trip, and detailing Treasury Board (TB) approved rates for meals and incidentals, mileage, private accommodation, and so on</p> <ul style="list-style-type: none"> • Original receipts and invoices for hotels and other expenditures attached to expense report and corroborating the dates and the number of days applied to the meal per diems and incidental rates • Disclosure of exchange rate used • Cancelled cheques and bank statement to support amounts paid
1.6.2 to 1.6.8	Reimbursable Costs –Other than Travel Costs	<p>Allowances and eligible expenses for personnel on long-term field assignment and on short-term relocation (1.6.2)</p> <ul style="list-style-type: none"> • Documentation supporting the duration of the relocation and compliance of the allowances permitted in the GAC’s Technical Assistance Handbook • Cancelled cheque and bank statement to support amounts paid <p>Students, Trainees and Training Costs (1.6.3 and 1.6.4)</p> <ul style="list-style-type: none"> • Original receipts and invoices to support the expenses paid to students and trainees in accordance with the Management of Students and Trainees in Canada; Manual for Executing Agency • Disclosure of exchange rate used <p>Recipient Country Government Employees (1.6.5)</p> <ul style="list-style-type: none"> • Original receipts and invoices to support the expenses • Disclosure of exchange rate used <p>Products, goods, and supplies (1.6.6)</p> <ul style="list-style-type: none"> • Original receipts and invoices to support the expenses • Cancelled cheque and bank statement to support amounts paid

Clause	Expense Category	Appropriate Supporting Documentation
		Other eligible expenses not in the categories above (1.6.8) <ul style="list-style-type: none"><li data-bbox="643 239 1029 275">• GAC'S prior written approval

ANNEX C: SAMPLE CALCULATION OF PER-DIEM PER EMPLOYEE

Annual salary:	\$100,000
Employee fringe benefits paid (100,000 x 19.34%)	19,340
Sick leave, statutory holidays and annual leave	30 days
Working days per year (52 weeks x 5 days)	260 days
Workdays for which salary costs are recovered (Working days – days off) = (260 days – 30 days)	230 days
Total salary cost for recipient	\$119,340

Annual salary + fringe benefits = Per-diem
260 days – days off allotted

$$\frac{\$100,000 + \$19,340}{(260 \text{ days} - 30 \text{ days})} = \$518.87$$

$$\text{Cost recovery: } \$518.87 \times 230 \text{ days} = \$119,340$$

ANNEX D: SAMPLE EXCHANGE RATE CALCULATION USING WEIGHTED AVERAGE

NAME OF THE ORGANIZATION
CONTINUITY SCHEDULE OF MONEY TRANSFER

DATE	DESCRIPTION	EXCHANGE RATE		FOREIGN CURRENCIES			CANADIAN dollars			NOTE
		MONEY RECEIVED	WEIGHTED AVERAGE	DR	CR	BALANCE	DR	CR	BALANCE	
2007-01-02	Advance #1	5.000		50,000.00		50,000.00	10,000.00		10,000.00	a
2007-01-31	Expenses report #1		5.000		45,500.00	4,500.00		9,100.00	900.00	b
2007-02-01	Advance #2	5.250	5.227	47,250.00		51,750.00	9,000.00		9,900.00	c
2007-02-29	Expenses report #2		5.227		35,000.00	16,750.00		6,695.65	3,204.35	d
2007-03-01	Advance #3	5.260	5.247	26,300.00		43,050.00	5,000.00		8,204.35	e
2007-03-31	Expenses report #3		5.247		27,300.00	15,750.00		5,202.76	3,001.59	f
2007-04-01	Advance #4	5.225	5.231	41,800.00		57,550.00	8,000.00		11,001.59	g
2007-04-30	Expenses report #4		5.231		36,000.00	21,550.00		6,881.97	4,119.62	h
TOTAL		5.167	5.158	165,350.00	143,800.00	21,550.00	32,000.00	27,880.38	4,119.62	

When money is received, the organization can note in the worksheet the exact amount of foreign currencies received and the equivalent in Canadian dollars. Formulas can be included in the worksheet to calculate automatically the exchange rate applicable. The formula to include in the worksheet is described below.

- a) Exchange rate = 50,000/10,000 = 5.000
- b) Conversion of expenses in Cdn \$ = 45,500/5 = 9,100
- c) Exchange rate for the advance = 47,250/9,000 = 5.25, but the weighted exchange rate for the following expenses will be: 51,750/9,900=5.2273
- d) Conversion of expenses in Cdn \$ = 35,000/5.2273 = 6,695.65
- e) Exchange rate for the advance = 26,300/5,000 = 5.26, but the weighted exchange rate for the following expenses will be: 43,050/8,204.35=5.2472
- f) Conversion of expenses in Cdn \$ = 27,300/5.2472= 5,202.76
- g) Exchange rate for the advance = 41,800/8,000 = 5.225, but the weighted exchange rate for the following expenses will be: 57,550/11,001.59=5.2311
- h) Conversion of expenses in Cdn \$ = 36,000/5.2311= 6,881.97

Summary:

The expenses should have been claimed at the weighted average. If we calculate the weighted average of all the advances, it should give approximately the weighted average utilized for the expenses claimed (difference due to decimals). The balance should be at the weight average calculated after the last advance.