Guidelines on finance partnerships WaterAid UK

Lead author: Adeola Akintoye, Head of International Finance, WaterAid UK.
Version 1. Next revision due January 2019.

Cover image: "The water from the tap is so fresh." Portrait of Mendrika, 11 years old, at his water point in Tsararivotra village. Bevato commune, Tsiroanomandidy district, Bongolava region, Madagascar. July 2016. Credit: WaterAid/ Ernest Randriarimalala

Contents

1. Introduction 4
1.1 Partnership 4
1.2 Background 5
1.3 Scope. 6
1.4 Objectives 7
1.6 Using the guideline in country programmes 8
1.7 Guideline reviews 8

2. Partner selection 9
2.1 Principles 9
2.2. Application and guidelines 10
2.3 Tools 10

3. Planning with partners 12
3.1 Principles 12
3.2 Application and guidelines 12

4. Governance and accountability 14
4.1 Principles for governance 14
4.2 Application and guidelines for governance 14
4.3 Principles for accountability 15
4.4 Application and guidelines for accountability 15

5. Monitoring and support 17
5.1 Principles 17
5.2 Application and guidelines 17
5.3 Tools 19

6. Capacity building 20
6.1 Principles 20
6.2 Application and guidelines 21

7. Annual review 22
7.1 Principles 22
7.2 Application and guidelines 22

8. Exit or transition strategy 24
8.1 Principles 24
8.2 Guidelines 25
8.2.1 Planned exit 25
8.2.2 Unplanned exit 26
8.3 Non-financial partnerships 27

9. Accounting processes 28
9.1 Principles 28
9.2 Application and guidelines 29
9.2.1 Period of eligibility 29
9.2.2 Funding 29
9.2.3 Partner funds transfers 29
9.2.4 Request for transfers 29
9.2.5 Authorising transfers 30
9.2.6 Partner return 30
9.2.7 Partner bank and cash management 30
9.2.8 Partner balance 30
9.2.9 Documentation and supporting documents 31

Appendices 32
Appendix 1: Risk-based partnership assessment 32
Appendix 2: Partner monitoring and support checklist/report 34
Appendix 3: SWOT analysis 36
Appendix 4: Finance exit or transition checklist 38
Appendix 5: Financial transactions minimum supporting documents 40

.

1. Introduction

Working in partnership is central to WaterAid's vision of a world where everyone has access to water and sanitation.

WaterAid works collaboratively with others to achieve its aims in a variety of arrangements. These range from formal partnerships with individual organisations to broader collaborations and informal alliances. Some involve funding agreements, while others do not involve a transfer of funds between organisations. In particular, WaterAid will always have a collaborative relationship with government departments and agencies at national, district and local level, as they play a leading role in the water, sanitation and hygiene (WASH) sector, and have ultimate responsibility for ensuring everyone has access to sustainable services.

WaterAid's Global Strategy 2015–2020 calls for a shift in our partnership practice, moving the focus of partnerships beyond short-term project deliverables. We aim to strengthen the institutions, systems and capacities that are needed to deliver sustainable WASH services in the long term. To achieve this we have to move towards more enabling and empowering relationships that help our partners to develop their capacity to play a long-term role in delivering sustainable services.

WaterAid's finance staff play a critical role in partnerships and are held accountable for managing financial risks. This shift in partnership approach presents finance staff with a challenge – to manage risk without being overly controlling. This document provides detailed guidance on how you can do it in a way that is relevant to the different levels of risk associated with different partners and partnerships.

The guideline promotes an **empowering and risk-aware approach** to partnership for finance staff.

WaterAid UK Partnership Framework and Toolkit provides overall guidance for staff on good partnership practice, based on the principles of a shared vision, mutual respect, support, accountability and equity.

This document highlights the areas that are specifically relevant to finance teams, providing more detailed guidance on the financial aspects of our relationships with other organisations in our country programmes (CPs).

It has been developed collaboratively by a cross section of finance and programme staff to ensure alignment with our principles and programmatic approach, and to have clear and consistent risk-based finance processes.

1.1 Partnership

A partnership involves two or more organisations entering into a collaborative arrangement to work on specific issues that single organisations cannot address as effectively on their own.

Formal partnerships with other organisations to directly implement a programme of work are based on signed agreements that set out agreed objectives, roles, responsibilities, processes and deliverables of all parties. These often involve the transfer of funds from WaterAid to partners. These funds could be restricted, unrestricted or a combination of both. Where partners receive donor funds, they would be required to report on these funds and be audited in accordance with donor requirements.

WaterAid might also work in less formal collaborative partnerships with other organisations to jointly deliver agreed objectives. The various types of partnerships could be in national, regional, continental or global spheres, and are often based on a signed memorandum of understanding.

For the purpose of this guideline, a ‘partner’ refers to any organisation, including governments, with which WaterAid has a relationship in the implementation of a programme of work. The relationship between WaterAid and one or more partners involved in a project or programme is referred to as the ‘partnership’.

1.2 Background

At present, approaches to supporting and working with partner organisations vary across CPs. The aim of this guideline is to harness the various strengths of these different approaches to create a framework and tools that are adaptable in different contexts and partnerships.

Our partner relations are informed by our values and a set of clear principles. These underpin our programmes and decisions at every level of activity.

- **A shared vision** – recognising the contribution and added value that each partner brings.
- **Mutual respect and support** – recognising that each partner has the right to determine its own organisational direction and priorities.
- **Accountability** – being accountable to each other as partners and to wider stakeholders, including communities, governments and donors.
- **Equity** – ensuring equitable decision-making processes as far as possible within the reality of unequal power relations, and striving to increase the capacity of less powerful partners.

All of these principles are relevant to financial management and need to be carefully considered and applied. We know that in the past WaterAid has often been perceived mainly as a donor by its partners, but the current strategy requires a more transformational approach to collaborating with others. To have a big impact on WASH and to build a sustainable service that is not dependent on WaterAid, our partnerships must be empowering, decision making needs to be more participatory and we must support other organisations to develop their own institutional capacity to be sustainable, including capacity for long-term financial management.

Accountability is a particularly relevant principle for finance staff. In its accountability framework (2015), WaterAid defines accountability as:

> ‘A culture and behaviour supported by tools and processes, that enable the organisation, its staff and its partner organisations to deliver on their commitments and take responsibility for their actions.’

Accountability is more than compliance with a set of standards and established business processes. It is a mind-set that should permeate the culture across the whole organisation. It shapes the way the organisation interacts with external stakeholders, as well as the relationships within the organisation.

This guideline seeks to promote an accountable culture and accountable behaviour supported by appropriate tools and processes for working with other organisations in partnerships.

1.3 Scope

The guidance, tools and checklists in these guidelines should be adapted to each country programme’s context. They are not intended to be imposed on partner organisations, but rather to help strengthen our partnerships and minimise the risk to all parties.

The guidelines do not focus on programmatic aspects of partnerships; they identify and address management of financial resources, providing a risk-based approach to accounting processes and tools.

They should be read together with the Global Partnership Framework and Toolkit and implemented in close collaboration with colleagues responsible for programme work and fundraising. This document complements that framework as highlighted in the following table.

Document	Global Partnership framework and toolkit	WaterAid UK guidelines on finance partnerships
Audience	All WaterAid staff	All finance staff in UK managed CPs
Contents	**Guidance for partnership processes** • Selecting and assessing partners • Planning with partners: drawing up partnership agreements, setting objectives and budgeting • Monitoring and support • Governance and accountability: decision making in partnerships • Capacity development • Conflict resolution and grievance mechanisms • Exit or transition strategy communication plans • Measuring success in partnership	**Specific guidance on finance aspects of partnership processes** • Selecting and assessing partners • Planning with partners: drawing up partnership agreements, setting objectives and budgeting • Monitoring and support • Annual review • Governance and accountability • Capacity development • Exit or transition strategy • Accounting process
Appendix	List of tools	Tools and checklists

1.4 Objectives

This document is intended to support teams' effectiveness, streamline ways of working, and embed consistency and best practice in partnerships.

It is intended to be used to:

- Ensure an empowering risk-aware approach to partner selection, assessment, monitoring and support.
- Support partners to develop their capacity and systems for financial management, and to achieve their own organisational aims as well as meet WaterAid's expectations.
- Ensure compliance with legal, statutory and funding obligations, and requirements for best practice.
- Ensure the reliability and adequacy of the accounting, internal controls and reporting.
- Ensure effectiveness of systems and processes for the review and monitoring of progress of programme/project work, bringing together finance and programmatic aspects.
- Support sustainability of programmes and promote mutual accountability in partnerships.

1.6 Using the guideline in country programmes

Each CP is expected to work in line with the WaterAid partnership approach in their context, evidenced in their country strategy and their operational plan. This could include context-specific guidelines for working with partners from a programmatic and financial perspective, using the Global Partnership Framework and Toolkit, as well as this finance guideline to provide overall direction.

This document will help CPs to support partners in developing their own account manuals, financial and administrative guidelines, checklists and various monitoring tools and reporting formats which work in their context. It is very important for programme and finance staff to work together at all stages of the partnership cycle (below) to ensure a consistent approach, and to coordinate their inputs in relation to different partnerships.

1.7 Guideline reviews

The guideline will be reviewed every three years through a light-touch process involving the Programme Support Unit, the International Finance team and country finance leaders. This will ensure that the principles, approaches, processes and procedures outlined are robust, relevant, fit-for-purpose and accommodate any subsequent organisational changes.

2. Partner selection

WaterAid has to collaborate with others to have a big impact on WASH services. In some cases, we don't have a choice about who to work with to strengthen the sector. In particular, we always need to work with relevant government authorities. In any case it is important to understand our partners' strengths and weaknesses, and where there is a choice, selecting the **right partners** is critical to the success of WaterAid and its ability to achieve its vision, mission and strategic objectives. The role of the Finance team in this is crucial.

This section aims to guide the CP finance team in their role in the partner assessment and selection process.

The Global Partnership Framework and Toolkit sets out the various stages of assessing and selecting partners: sourcing, courting and tying the knot.

A key step in this process is **a thorough assessment** and **due diligence** review of the partner organisation, in order to establish technical skills, governance structures, controls, financial sustainability, and their approaches to WASH rights and equality. This assessment would highlight the partner's current capacity and any gaps that might require support directly from WaterAid or others.

The level and depth of engagement of finance staff would be dependent on the financial risk of the partnership.

Potential partners should also have an opportunity to find out as much as they can about WaterAid before signing any agreement. Finance staff should be prepared to provide them with relevant information.

2.1 Principles

The following are basic principles to inform partner assessment and selection decisions:

- **Legal status** – Any non-governmental or private partner organisation should be registered according to the prevailing laws and regulations of its country. It should have a registration number, yearly financial audits, and timely renewal of the organisation and tax exemption certificates where applicable.
- **Terrorism risk** – The partner organisation should not appear on any of the international proscribed lists of terrorist organisations. WaterAid's Internal Audit team can undertake this check for you if necessary.
- **Financial risk** – Where there is a funding relationship, the source conditions attached to the funding (i.e. donor requirements) will play a significant role in the financial systems, structures and controls in the partner organisation. There should be evidence of ability to meet all contractual obligations.

- **Finance capacity** – Partners should be selected on the basis of financial risks.[1] At the time of assessment, testing should be conducted to obtain an initial assurance about the financial capacity of the partner and associated risks. WaterAid should develop a mechanism to assess the mitigation controls that are implemented by partners against these risks.
- **Good governance** – There should be an appropriate governance structure in place for oversight of decision making and compliance with approved policies and procedures. This will also ensure accountability and protection of the financial resources of the partner organisation, including areas such as delegation of authority, decision making, anti-fraud and corruption, which provides assurance on the partner's management.
- **Credibility** – WaterAid should request evidence of partner organisations' past achievements and successes in similar projects, including, if possible, having discussions with other partners associated with the intended partner organisation.
- **Conflict of interest** – There should be an absence of conflicts of interest (e.g. in relation to political affiliations, WaterAid management, companies and suppliers) that could lead to reputational risk, bribery or corruption.

Note – the above considerations are also important in relation to working with government partners. In that case, the purpose of the assessment will be to fully understand the constraints and opportunities for working with different levels and departments of government.

2.2. Application and guidelines

- CPs should have a selection process and minimum standards for different types of collaborative relationships (see Global Partnership Framework and Toolkit). The results of the due diligence review, together with an assessment of risk, determines whether or not to proceed with the partnership.
- The decision on partnership should be made by the CP senior management team, for the purposes of accountability and risk management.
- Each CP has to determine the optimal size and number of partners to deliver its strategy. It is worth considering the partnership portfolio as a whole and mapping the practical cost and benefits of maintaining a small vs. large number of partner relations, and also of engaging with smaller vs. larger partners for maximum impact.
- Country teams should provide a formal induction for new partners' programme and finance teams as soon as possible after signing the partnership agreement.

2.3. Tools

- Appendix 1: Example of partnership finance assessment tool.
- Refer to the Global Partnership Framework and Toolkit for detailed partner

---

[1] Financial risks include risk of not being able to maintain funds, risk of inconsistent implementation of controls, risk of embezzlement of funds, risk of use of funds released by WaterAid in activities not agreed between WaterAid and partner, risk of lack of ample competent human resource, and risk of fraud due to lack of segregation of duties.

selection process. http://thesource.wateraid.org/Resources/Learning/workinginpartnership/Pages/Home.aspx

- Partner Agreement template for formal partnerships. http://thesource.wateraid.org/Resources/Policiesandprocedures/Global/Forms/Full%20library.aspx

3. Planning with partners

Partners should be involved in planning programmes, projects and budgets jointly with WaterAid staff, to make sure the plans adequately reflect their capacities and perspectives.

Joint planning should also consider long-term partnership objectives, which contribute to developing a strong partner organisation that is sustainable and independent.

Planning is led by programme staff in collaboration with and supported by finance staff. In addition to this, the finance team plays an enabling role in strengthening the capacity of partners on budgeting. They also play a critical role in the planning process, through support and challenge of budget assumptions, ensuring realistic estimates and phasing of expenditure.

The aim of WaterAid's work on sector strengthening is to support the leading role of government in the sector, including the planning and budgeting processes. Therefore we should, wherever possible, make sure our planning processes align with those of government.

This section focuses on the financial aspect of planning, that is budgeting.

3.1 Principles

The following principles underpin financial planning with partners, ensuring realistic programme plans and budgets to deliver the set objectives:

- A collaborative approach between WaterAid programme and finance teams, and the partner organisation, from the start of the planning process.
- Clarity on activities, outputs, outcome and decision making on changes to budgets.
- Clear roles and responsibilities between WaterAid and partners.
- A process for continuous review of the plans and adjusting forecast projections.
- Learning together throughout the partnership.
- A risk-aware approach – recognising different levels of support and compliance needed for different organisations and for different stages in the partnership.

3.2 Application and guidelines

3.2.1 Each CP should have a documented planning process, which includes the roles and responsibilities of each party.

3.2.2 It is recommended to have project planning workshops with partners where practicable.

3.2.3 During the planning process, there should be discussion with the partner to identify any capacity gaps that need to be addressed to implement the project and also to strengthen the partner organisation.

3.2.4 During the planning process, the finance team should support the partner on financial aspects of programme planning, as follows.

- To develop an effective process of accounting, budgeting and reforecasting.
- To prepare realistic and robust projections of the cost and phasing of activities.
- To develop the tools and templates to enable easy and accurate analysis and reporting.
- To ensure the capacity development activities are planned and budgeted for through the life of the partnership.
- To develop an appropriate procurement plan where necessary.

3.2.5 Budget development should consider the following:

- Multi-year plan: WaterAid and the partner should forecast the activities' costs through the life of the project and phase expenditure realistically according to the planned implementation period. The budget must be realistic and regularly reviewed.
- Activity-based budgeting: Project budgets should be reviewed in detail, ensuring all relevant cost categories have been captured and cost estimates are realistic, i.e. full cost coverage.
- Partnership support activities: Sufficient budget allocation should be made to fund planned capacity development of the partner over the period of the partnership.
- Procurement practices: These should include the use of competitive tendering in procurement, ensuring transparent processes of selecting contractors and suppliers, timeliness of delivery, and delivery to specifications (quality and quantity).

3.2.6 The country programme's senior management team and partners should agree on the right proportion of support cost in partner budgets, with due consideration to any local regulations (i.e. administration vs. programme ratio).

3.2.7 Partnership agreements should contain the approval process for changes to budgets, reporting and audit requirements, and refund of funds.

3.2.8 During the budgeting process, if possible, identify the source of funding for the budget, including contributions from the government and/or communities.

4. Governance and accountability

In the context of working with partners, governance simply refers to how decisions are made within the partnership and how responsibility is allocated between the partners. Accountability refers to how the organisations in the partnership are then held responsible for carrying out those decisions and for achieving the overall objectives of the partnership.

For more detail, see the Global Partnership Framework and Toolkit section on governance and accountability.

Country finance teams have a responsibility for supporting the effective use of financial resources and the management of financial risk when WaterAid is working in a funding partnership. They should therefore ensure that measures supporting these two broad aims are incorporated into the overall governance and accountability structures of the partnership.

Partnerships vary, and so the detail of these structures should be decided by finance teams locally, in collaboration with programme teams and with the partner. However, the following principles, good practices and minimum standards should be followed.

4.1 Principles for governance

The governance processes should be designed in collaboration with the partner organisation, and should be tailored to suit the specific requirements of each partnership.

The level of formality and the structure of the processes may vary. However, as a minimum, both WaterAid and the partner should be clear from the outset of the relationship what the financial decision-making processes are, and should both agree to abide by them.

4.2 Application and guidelines for governance

- **Decision-making process** – This should set out how decisions are to be made, who makes those decisions and in what forum. There should also be a conflict resolution process in place to deal with disagreements. Processes can range from relatively informal (e.g. one-to-one agreements between the relevant staff at WaterAid and the partner) through to very formal structured processes (e.g. steering committees).
- **Scope** – It is not necessary for agreed decision-making processes to cover every area of financial activity, and this would probably not be desirable for most partnerships. However, where WaterAid is transferring funds to a partner, then, as a minimum, there needs to be an agreed decision-making process in place that governs planning and budgeting with the partner, making changes to those plans and budgets, and responding to financial risks that are identified during the partnership. Country senior management teams should decide on the level of flexibility to amending budgets.

- **Division of responsibility** – Where there is joint delivery, there should be a clear understanding on areas of responsibility and accountability for achieving any financial objectives, i.e. what WaterAid is accountable for delivering and what the partner is accountable for delivering.
- **Governing documents**– Partnerships are usually governed by some form of written agreement. Where WaterAid is transferring funds to a partner, then, as a minimum, these written agreements might comprise two documents: a broad memorandum of understanding and also a more detailed programme partnership agreement, which should also include a financial plan and budget. These documents should be in place before any fund transfers are made to a partner.

4.3 Principles for accountability

Effective governance depends on both WaterAid and the partner being accountable for fulfilling their responsibilities and achieving the agreed objectives of the partnership. Where WaterAid is granting funds to a partner, there is an inevitable power imbalance in the relationship, which could make it more challenging for partners to hold WaterAid to account. Country finance teams should therefore take steps to ensure that there is mutual accountability within all partnerships. This would include proactively seeking feedback from partners and ensuring that the partner feels able to hold WaterAid to account on finance-related issues.

4.4 Application and guidelines for accountability

- **Reporting** – Where there is funding relationship, some form of regular financial reporting is required from the partner to WaterAid. The frequency and level of detail can be decided on a case by case basis, depending on the requirements of the partnership and the risk profile of the partner. Please see the 'Accounting processes' section of this document for more details. As part of its accountability within the partnership, WaterAid should be transparent about why the information is required and what it is used for.
- **Financial monitoring** – All partners in receipt of funds should receive financial monitoring and support visits from WaterAid. Detailed guidance on this, including the appropriate scope and frequency of these visits, is included in the 'Accounting processes' section of this document.
- **Audit** – Both internal and external auditors will visit partner organisations as part of their audit fieldwork. This will usually be done at the discretion of the auditors and on a risk basis. All partners must therefore agree to participate in such visits if required, and to provide the necessary support to auditors during these visits.
- **Legal and regulatory requirements** – All members of the partnership are expected to obey the law and fulfil any applicable regulatory requirements they are subject to. Members of the partnership, including WaterAid, should agree to report any significant legal or regulatory breaches, particularly where it puts the partnership objectives or the financing of the partnership at risk.
- **Feedback process** – It is recommended that a process be put in place in all partnerships that allows the members to feed back to one another on finance issues. This is intended to complement more formal decision-making and

conflict resolution processes, and can support the resolution of issues before they become critical. This feedback should be two-way, but particular priority should be given to allowing the partner to provide feedback to WaterAid. Areas where feedback could be sought include frequency and conduct of monitoring visits, timing of fund transfers, frequency of reporting and quality of communication from WaterAid to the partner.

- **Financial capacity building** – Often WaterAid will agree to deliver capacity building to help partners develop their financial management systems. It is good practice to formally agree capacity building plans with the partner, including objectives and timetables, so that the partner can hold WaterAid to account for delivering on this plan.
- **Risk assessments** – Risk assessments should be developed during partner selection, and should be regularly updated to capture changing risks (see the 'Partner selection' section of this document). Often these assessments will include action plans to address any risks identified. Progress against these action plans should be reviewed regularly so that WaterAid and the partner are held to account for delivering on agreed actions.
- A transparent and documented **communication protocol** between WaterAid and the partner should be clearly defined and mutually agreed. It is expected that all communication, especially where there is financial implication, should be in written form. Any verbal discussion or telecommunication regarding any decision or information sharing should be subsequently recorded and endorsed by the concerned party to avoid creating an information gap.

All discussions about accountability should emphasise that governments, service providers and development partners, including WaterAid, should be accountable to the communities for the quality of the work.

5. Monitoring and support

Monitoring is an **ongoing process** designed to **review the progress against the agreed plan and budgets, activities, outputs, and outcomes**, and should be focused enough to keep plans on track.

The **scope and extent** of finance monitoring and support will vary depending upon the partnership agreement, type of partnership, funding shape, programme locations, strength of the partners' financial management system, internal controls and practices that exist, the nature and scale of funding size managed by the partner, and also the outcome of the annual partnership review, risk assessment and the periodic health checks. Finance monitoring and support should be informed by a risk assessment of all partners, so that resources can be appropriately allocated.

This section is intended to guide the CP on the minimum requirement for effective financial monitoring and support.

5.1 Principles

- Priority for finance monitoring would be where WaterAid is giving a financial grant to a partner. CPs should decide on the type of monitoring where there is no funding relationship.
- Monitoring and support should be undertaken on a **risk-based approach**. The joint risk assessment may be at the initial stage of the partnership, at the time of the annual partnership review, or at a minimum of once a year.
- Finance monitoring is improved when done **jointly with programme monitoring**. In practice, there should be at least one joint visit a year with the programme department.
- The process should be focused on ensuring that the **deliverables, outputs and outcomes** and the partners' commitments on delivery of financial performance are on track, as envisioned in the agreed plan and budgets; keeping the ethos of partnership; **mutual respect; and accountability**. The process should also be taken as an opportunity to give mutual feedback and recommendations.
- The scope and extent of financial monitoring should be **agreed with the partner at the beginning** and varied during the life of the partnership, depending on ongoing assessment of financial performance on agreed objectives and deliverables.
- Monitoring should be an opportunity to support partners in **enhancing the technical capacity of staff, as well as strengthening organisational capacity**. This enables an improvement to the financial operations, management system, procedures and practices. It also draws useful lessons for future reference and improvement, and should not be thought of as looking for mistakes or being critical.

5.2 Application and guidelines

- The country finance team should develop its own partnership risk management matrix for financial monitoring and should ensure that there is an effective system and practice in place to mitigate the risks identified.

Who should monitor and when

- The WaterAid CP finance team will carry out financial monitoring visits as per the annual monitoring visit plan, which will normally be mutually agreed with the partner in advance. This would be at a minimum of once a year, except where there is deemed to be high risk to achievement of the project/programme objective.
- Monitoring visits should be aligned with the programme teams' visit as far as is practicable. The joint visit with the programme team should be agreed upon and incorporated in their departmental plan at the beginning of the year.
- If the programme team is unable to visit with finance staff, both should meet before and after the visit to discuss issues and programme progress, key insights, spend progress and delivery on outputs.
- The CP Head of Finance should accompany the finance monitoring team member on all visits to high-risk categorised partners/partnerships, and make at least one visit with the Head of Programmes in a year in order to have better clarity and understanding of the issues, progress, any support to the partner that may be needed and follow up of any outstanding high risk issues.

Where and what to monitor

- Monitoring visits can take various forms, such as a desk review at the WaterAid CP office, or a visit to a partner's head office, sub offices or project site. It is recommended that there is a project site visit at least once a year.
- The WaterAid finance team should visit the office where the partner's prime accounting records are kept and maintained.
- Finance monitoring should be based on the outputs and outcomes of the project activities, a value for money review and tracking of the expenditure audit trail.
- Budget monitoring should analyse year-to-date progress against year-to-date budget and full-year budget, with comments explaining how underspends and overspends relate to activities' progress. This will in turn inform the country programme financial reforecast.
- WaterAid finance staff should proactively include capacity building initiatives in their monitoring visits where necessary.
- The finance team member visiting the partner office should complete and document the reviews done.

Report and follow-up

- A visit report should be produced, incorporating the agreed findings along with recommendations highlighting the risks (ranked High (H), Medium (M) or Low (L), in accordance with priority and importance). This should be discussed with the partner for their comments before being shared with the CP's senior management team and other programme staff as relevant.

- The outcome of each visit and action plan should be discussed and agreed with partners. This would also be incorporated into any capacity building and development plan.
- The progress against recommendations should be reviewed as part of a desk review on a quarterly basis and/or during the subsequent visit.
- Identified capacity gaps in relation to financial competency, technical skill and/or resources should be discussed with partners, and areas for additional support should be agreed with them. All support given to partners should be included in the partnership capacity building plan and an appropriate level of finance resources should be allocated.

5.3 Tools

Appendix 2: Monitoring and support checklist/report

6. Capacity building

Capacity building involves investment in the form of money, time and effort. As a result, it is important that resources allocated to capacity building are used effectively. This section of the guidance is not intended to describe how to carry out capacity building, but to provide a guideline for an effective and sustainable capacity building initiative.

Where possible, finance capacity building should go beyond basic training on finance processes, to developing financial management capability of the partner organisation.

Types of finance capacity include:

- Budget development and monitoring
- Designing a management report
- Internal controls and risk monitoring
- Financial procedures and policy
- Full cost coverage

We should also recognise that other organisations will be involved in developing the capacity of many of our partners, especially government, and make sure that our efforts are adding value.

6.1 Principles

Finance capacity building initiatives should be based on a joint needs assessment through different forums (selection process, risk assessment, monitoring, annual reviews, etc.) and dependent on the type of partnership.

The capacity building plan should be developed with the partner through a participatory approach. As much as possible, allow the partners to decide on the best approach (subject to available funding), based on the agreed programme delivery objective and success indicators.

Any capacity building initiative should be sustainable and demonstrate contribution to partner organisation development and strengthening the WASH sector.

Any capacity building plan should include developing capacity within organisations and not just training individuals, such as having policies, processes and systems in place to enable continuity.

There should be clear evidence of the impact of capacity building initiatives through agreed outcome indicators. Progress against this should be monitored and documented.

6.2 Application and guidelines

It should be appreciated that working with partners and in partnership is already a form of building the capacity of the sector, by either increasing or developing skills and knowledge of WASH (through research, learning processes, new and innovative technologies etc.) or partner organisation development (through strengthening processes, systems and tools).

Finance efforts should focus on both individual **and** organisational capacity development.

1. Any financial capacity building initiatives should start at the assessment and selection stage in a partnership. Identify gaps in capacity to:

    a. implement the agreed programme
    b. contribute to the partner organisation's long term sustainability, e.g. providing financial management systems, tools and knowledge that can be used or replicated in other partnerships

2. Alongside programme staff and the partner, develop a holistic capacity building plan ensuring the following questions are answered:

    - Identify whose capacity – individuals or organisational development?
    - What capacity is being developed: technical, systems, structures, governance or processes?
    - What is the expected outcome of the initiative and how will learning be embedded?

3. The plan timeline should align with the period of partnership. However, if necessary, a practical timeline should be mutually agreed.

4. Identify funding of the capacity building initiative, including potential donor opportunities.

5. Resourcing of the initiative should be included in a project plan and budget. Explore both restricted and unrestricted sources for funding.

6. Delivery of the initiative should not be limited to WaterAid. The most effective approach should be explored, which may include direct support, group support, partner to partner support, peer process, distance learning opportunities, etc.

7. Monitoring of the impact or outcome of all capacity building initiatives and related mechanisms should be included in regular monitoring, annual partnership reviews and any exit or transition processes.

8. Documentation of capacity building initiatives, monitoring and evaluations should be included in the programme management information system (PMIS).

7. Annual review

Annual review is an opportunity for the partner and WaterAid to **review** progress against agreed **partnership objectives**, reflect on how well the partnership itself is working, and to agree longer-term actions to address any identified challenges within the partnership, or to take advantage of any identified opportunities.

It is likely that annual review will cover all aspects of the partnership, including the programmatic aspects, and involve all relevant stakeholders, including the communities where there is a financial contribution.

However, in the finance context, the particular focus will be on how effectively financial resources and financial risks are being managed within the partnership. This will also give us an opportunity to challenge and learn from the partnership. Furthermore, it will allow us to review the effectiveness of the financial capacity improvement programmes delivered within the year, following the capacity gaps identified through monitoring.

All of the above will also be taking place throughout the year through regular communications between WaterAid and the partners, as well as through agreed reporting and monitoring processes. Information gathered during the monitoring process will be vital to the feedback process. Subsequently, the annual review offers an opportunity for deeper reflection on these issues in a collaborative way.

7.1 Principles

There should be both a 'look back' and 'look forward' aspect to the annual review. While it is important for WaterAid and the partner to look back at the partnership and hold each other accountable for achieving agreed finance-related objectives, it is equally important to look forward and agree actions which will help the partnership respond to emerging opportunities and threats. Fundamental to this process will be the incorporation of lessons learnt from previous years.

The focus of the finance elements of the annual review should be at the strategic level, i.e. on areas which are likely to have a significant impact on the overall achievement of the partnership objectives. This should extend to the structure of the partner relationship itself, and how well WaterAid finance and the partner are collaborating.

Annual review is a forum for discussing the partnership, and it should be conducted in a spirit of mutual respect and learning. This is an opportunity for both WaterAid and the partner to provide feedback.

7.2 Application and guidelines

It is recommended that, as a minimum standard, WaterAid finance and the partner adopt a relatively structured approach during annual review, to ensure the review is carried out in a systematic manner and leads to agreement on clear actions.

As a guide, the use of a questioning approach to review progress against the partnership objectives is recommended. The set of questions should be specific to the partnership and applicable to the local context. Regardless of the method chosen, it is recommended that any assessment of the partnership considers the following areas listed below. Please note that the questions listed under each heading are intended as examples only, and are not exhaustive.

- **Changes to the context** – has there been any change to the overall context of the partnership? Are there changes that WaterAid and partner finance teams will need to make in response to this? How should these changes be made?
- **Governance of partnership** – is the current decision making process in the partnership working well? Does anything need to change? Are the governing documents still appropriate? Does anything need to be amended?
- **Roles and responsibilities** – are both WaterAid finance and partner finance teams carrying out their assigned responsibilities effectively? Is there anything that is not working well which needs to change? Are there things that have worked well and we should do more of?
- **Demonstrable accountability** – discuss the effectiveness of the accountability processes, i.e. reporting, communication
- **Roles and resources gaps** – are all the key finance activities within the partnership being carried out by either the partner or by WaterAid? Are there any key activities that are not being carried out, or are being duplicated? Has any agreed capacity building been delivered and is it proving to be effective? What future capacity building may be required?
- **Relationship** – do the WaterAid finance and partner finance teams have an effective working relationship? Are methods of communication working well? Are there changes that could be made to improve the relationship? Does the partner feel able to participate fully in the relationship?
- **Exit strategy** – is the current exit strategy still appropriate? Are any changes required to it?
- **Blockages and enablers** – are there any systems, processes, and ways of working which are acting as blockages to achieving partnership objectives? Are any of the above acting as enablers?
- **Regulatory environment** – does the current regulatory environment support the existence of the partnership? Are there imminent changes in the regulatory environment that may have an impact on the partnership?

The overall format of the annual review should be decided in collaboration with programme staff, the partner and other teams within WaterAid.

Finance-related issues will likely feature in many of the discussions during annual review. The finance team is expected to devote time to resolve these issues in a breakout session with relevant partner finance staff.

Another approach that could be used is the identification of challenges, weaknesses, strength and opportunities – a SWOT analysis. Appendix 3 includes a template for this.

8. Exit or transition strategy

An exit or transition strategy refers to the way in which WaterAid leaves, ends or changes its partnership with other organisations. It is important to note that an exit strategy does not just deal with the ending of partnerships. See the Global Partnership Framework and Toolkit for more detail.

Exit strategies can also be used to manage the transition from one kind of partnership to another. A key objective of the exit strategy is to help ensure that the outcomes achieved during the partnership are sustained, even once the partnership has ended.

It is expected that an exit strategy will be developed at the beginning of the partnership, and will be reviewed and, if necessary, revised during the course of the partnership to ensure that it remains relevant.

An effective exit strategy will be developed in collaboration with the partner and with a number of different teams within WaterAid, including programmes. CP finance teams should proactively input into exit strategy planning, to ensure that exit strategies adequately address the following:

- Managing the financial risks to WaterAid and to the partner associated with ending the partnership.
- Ensuring that any finance-related outputs achieved are sustained once the partnership has ended.

The following principles and guidelines are intended to support country finance teams when contributing to the development of exit strategies.

8.1 Principles

From a finance perspective it is expected that a typical exit strategy will set out **the key finance-related activities** to be carried out during the exit phase of the partnership, who is responsible for delivering these and what the decision-making processes will be.

The finance aspects of exit strategies should be agreed in consultation with the partner and tailored to the needs of the partnership. Although agreement and collaboration are encouraged, both WaterAid and the partner must accept that there are certain minimum administrative formalities that need to be followed when exiting a partnership.

Finance teams should, in collaboration with the partner and non-finance colleagues within WaterAid, regularly review exit strategies to ensure that they are still appropriate for the partnership context.

Exit strategies should cater for both planned and unplanned exits.

It is important to remember that ending a relationship with a partner, especially one that has been working with WaterAid for a long time, can be a very difficult and often emotional experience for all involved. The process needs to be handled professionally, with care and consideration. The individuals directly involved should be supported by their managers.

8.2 Guidelines

8.2.1 Planned exit

It is recommended that there are general guidelines set out in the partnership agreement for how any exit will be managed. This should include the following:

- **Decision-making** – how decisions will be made during the exit phase of the partnership. For example, will the existing agreed decision-making processes be followed (see the 'Governance and accountability' section for guidance on this) or do specific processes need to be established for the exit phase?
- **Key exit activities** – the key exit activities should also be set out, along with roles and responsibilities for the partner and WaterAid.

These 'key activities' are as follows, and should be commenced as soon as it becomes clear that a partnership is entering its exit phase.

Risk assessment – carry out a risk assessment in collaboration with the partner and programme colleagues to assess the financial risks associated with the end of the partnership. Ideally this would form part of a wider risk assessment looking at the entire partner relationship, but this would be at the discretion of programme colleagues. Key risks to consider may include:

- How to sustain any finance capacity building gains made during the partnership
- The financial sustainability of the partner/project

Road map – use the risk assessment to agree a plan for phasing out the partnership, including key deliverables to be achieved before the conclusion. This should clearly set out who is responsible for deliverables and also when they should be completed by. This is likely to include formalities such as the submission of financial reports, as well as activities to address specific risks identified during the risk assessment. The road map is particularly important, because partners may become less motivated if they know their relationship with WaterAid is not going to continue.

Grant closure – where the partnership is being funded by restricted funds, there needs to be a clearly agreed process for how WaterAid and the partner will ensure compliance with the grant contract. This is particularly important where grant contracts will extend beyond the end of the partnership. The donor should be kept informed throughout the process.

Future engagement – as part of the exit process, any future engagement between WaterAid and the partner should also be agreed. For example, while WaterAid may cease to fund the partner, it may be felt desirable for finance to continue some kind of capacity building role with the partner.

Assets – in the event that the partner is in possession of WaterAid assets, agreement should be reached on what to do with these. For example, WaterAid may choose to transfer ownership to the partner, or the assets may be returned. It is important that whatever decision is reached is compliant with donor contracts and with the INGO regulations of the country, if applicable.

Administrative formalities – in addition to dealing with assets, there are a series of other formalities that need to be carried out at the end of any partnership. These are designed to protect both WaterAid and the partner from financial loss and to reduce the risk of disputes at a later date. A full list is provided in the checklist attached in Appendix 4. Examples include settling outstanding transactions and finalising compliance requirements set out in the partnership agreement.

8.2.2 Unplanned exit

In the majority of situations, an unplanned exit would only be considered once all realistic avenues for conflict resolution have been exhausted. An unplanned exit is seen as a last resort, and every effort should be made to try and repair the partner relationship. Even if it becomes clear that the relationship cannot be repaired, it may be possible to at least agree on an exit plan and to end the partnership in an orderly way. In such situations, the guidelines on planned exits above can still be used.

More information and guidance on conflict resolution can be found in the Global Partnership Framework and Toolkit.

The exception to this is if the partnership is being ended due to serious legal or compliance failings by the partner, and the senior management team judges that it is in the interests of WaterAid to end the relationship as soon as possible.

Where resolution conflict has failed, or where it is felt necessary to end the partnership immediately, the focus of the finance aspects of the exit strategy is on reducing the risk of financial loss to WaterAid. Key activities would be as follows:

- **Risk assessment** – the approach will be the same as for planned exits, except in the case of relationship breakdown/non-compliance, when this process would only involve WaterAid staff.
- **Recovery of funds and assets** – if the partner is holding WaterAid funds or assets, then a formal request should be made to the partner to return these. The Internal Audit team can advise on possible further steps to try to recover the funds/assets. Where the amounts/assets held by the partner are in excess of **£10k,** the Head of Region should also be notified.
- **Loss of funds or assets** – where steps to recover funds are unsuccessful and WaterAid suffers a loss as a result, the Head of Region should be notified regardless of the amount.

- **Notifying donors** – where the partner is managing a restricted grant, it is recommended that the fundraising lead and the donor lead are notified as soon as possible. They can then advise on how to notify the donor about the end of the partnership.
- **Reporting** – where the relationship is being ended due to fraud, bribery, legal non-compliance or contractual non-compliance by the partner, the Internal Audit team must be informed. In cases of fraud and bribery, WaterAid's procedures for reporting fraud must also be followed.
- **Document** – unplanned exits should be documented as comprehensively as possible. This would include ensuring that all formal communication is done in writing, and that the reasons for ending the partnership are shared with the partner. Internal documentation should also be kept, such as the minutes of relevant meetings where the exit was discussed and agreed.

8.3 Non-financial partnerships

The ending of any partnership can have financial implications for WaterAid. This is true even if the partner is not receiving funds from us. For example, WaterAid might be receiving consortium funding that is dependent on maintaining a relationship with a specific organisation.

Finance staff should therefore collaborate with programme staff at the design and execution stage of **all** partnership exit strategies to assess if there are any financial implications for the ending of the partnership. Once this assessment is done, a judgement can be reached on whether any further finance involvement is required.

9. Accounting processes

A partner accounting process review needs to be undertaken in order to ensure the effective use of financial resources. Partnership agreements should relate a clear financial arrangement between all parties.

WaterAid partnership accounting processes should reflect the specific type of partnership relationship. The principles and guidelines below relate specifically to partnerships that involve a funding relationship. CP finance teams should also make sure they have a system in place for recording transactions where the partnership is contributory or match funding in nature.

This guidance details the minimum financial requirement that should be met during the partnership period. CPs are encouraged to take account of the local context in developing their processes and procedures.

The following principles and applications are minimum standards that should be reflected in the local accounting manuals. The current accounting manual should be updated to incorporate these standards if necessary.

9.1 Principles

Whilst working in partnership it is important that WaterAid has sufficient and appropriate controls in place to safeguard funds and ensure grant funds to partners are used for the intended charitable purposes.

WaterAid's accounting processes are designed to ensure accountability for funds we are entrusted with. Where necessary, these processes should be flexible and adaptable to the context and type of partnerships. Wherever possible our engagement should support partners to strengthen their own accountability processes, especially when working with government.

The processes are designed to support the development of the partnership, ensuring minimum standards of controls and reporting are maintained, to help meet contractual obligations, but also strengthen the partner relationship.

In order to achieve this we have the following minimum principles:

- The partner organisation should have adequate accounting processes and procedures in place to ensure that funds received can be accurately accounted for.
- A minimum capability for financial management is required to enable control and reporting. If this is not met, WaterAid will support partners to build this capacity.
- Only costs that were agreed and approved in the partnership agreement and budget would be classified as eligible costs.
- All transactions must be substantiated by original supporting documents, which should be accurate, authentic and without erasures or amendments.
- CPs should ensure all partner and/or community financial contributions are duly accounted and reported.

9.2 Application and guidelines

9.2.1 Period of eligibility

- The agreement, once signed by all parties, must specify the effective start and end date. Any cost incurred outside this period will require prior discussion and approval.

9.2.2 Funding

- Total agreed budget is the total amount of funds to implement the work. There should be clarity on the process and decision for budget revision.
- There should be clarity between WaterAid and the partner on funding commitments before the commencement of the partnership.
- Any unplanned activities not approved by the programme lead will be deemed ineligible costs.
- All invoices (payments, claims, liabilities and other accounts, documents and communications of whatever nature arising under or relating to the agreement) should be denominated in local currency unless otherwise specifically agreed in writing by the parties.

9.2.3 Partner funds transfers

- WaterAid does not require partners to open a separate bank account unless it is explicitly stated in the donor contract or is a requirement of country law. However, if the partner wishes to open a separate account to ease their operation, they can do so.
- Funds will only be transferred to a bank account in the partner organisation's name.
- Partners must ensure there is a clear audit trail of funds provided by WaterAid.
- The frequency of funds being transferred to partners should be dependent on the risk assessment, financial systems and controls in the partner organisation, the complexity of any donor funding and reporting, and the scale of the programme budget (e.g. this may be monthly or quarterly).

9.2.4 Request for transfers

- WaterAid will make the payment based on justification of the previous payment and satisfactory achievement of agreed outputs, as set out in the project plan and budgets.
- The CP should have clear guidelines to manage partner transfers on a risk-based approach that allows flexibility and partner autonomy when processing disbursements.

9.2.5 Authorising transfers

- Authorisation of partner transfer requests should include a review by the programme team to ensure achievement of agreed activities, performance and budgets.
- Funds requested by the partner should be to cover expenditure expected during the next reporting period.
- Authorised programme staff should approve the transfer through agreed documentation (an example of a 'Request for release of instalment to partner' form is in Appendix 5). Finance's role is to process and release the funds.

9.2.6 Partner return

- Partner organisations are required to report on the use of funds provided by WaterAid on an agreed basis, as set out in the partnership agreement. WaterAid will provide a standard financial reporting template for partners to use, especially for donor funded projects.
- The CP should determine the frequency of partner reporting on a risk basis. This could be determined from the risk assessment done during the partner selection process, previous reviews, and the monitoring and outcome of any capacity building initiatives.
- The process for reporting by partners should not be overly bureaucratic, complex or time consuming. It should enable the monitoring of progress and accountability of funds disbursed. The partner return based on risk assessment could be monthly (for high risk partners/partnerships), two-monthly or quarterly.
- All partner financial reports should be reviewed and approved by a Programme department.
- Country programme finance and programme teams should agree appropriate ways of giving feedback to partners (see section 5 –'Monitoring and support').
- Partner grants and expenditure should be up to date on the global accounting system (GAS). All partner balances should be reviewed and reconciled on a monthly basis.
- It is recommended that partner balances should be reviewed and discussed by the CP senior management team at least quarterly, as part of the partnership review processes.

9.2.7 Partner bank and cash management

- Partners should have adequate processes and systems in place to manage their bank and cash balances.
- Partners are allowed to use interest income as they deem fit, unless the donor contract stipulates otherwise, or the interest income is material, in which case it must be reported to WaterAid.

9.2.8 Partner balance

- Partner balances will be reconciled at least every quarter to ensure that the balance on partner reports reconciles with the balance in WaterAid records.

- All unused funds at the end of the financial year will be treated as advance payment if the CP has an ongoing agreement with the partner. Unused funds, as well as the unallowable costs after audit, must be returned to WaterAid if the partnership agreement is coming to an end or in line with an agreed exit strategy.
- Small balances on a partner's account will be written off if the time and money involved in collecting the amount exceeds the value of the balance outstanding. Any write offs should be in line with CP authorisation policy, and the International Financial team must be informed.

9.2.9 Documentation and supporting documents

All partner organisation registered as a legal entity should, at all times during the partnership agreement period, maintain a financial management system that complies with generally acceptable accounting principles (GAAP), ensure audit compliance and keep all records as required by local laws, WaterAid and donors.

Partners that are not registered should have at least minimum accounting processes and procedures in place.

A risk-based review of supporting documents and financial transactions should be done during monitoring.

Financial transactions without adequate supporting documentation should be reported and discussed with the partner and CP management team. Where the financial transactions cannot be justified with appropriate documentation or evidence, we recommend one of the following actions:

- Disallowing the transaction and asking the partner for a refund if grant has been given in advance.
- Deducting the transaction amount from future grant requests, if the relationship is ongoing.
- Where the possibility of reimbursement is not possible, because the partnership has come to an end, the Country Director will make a decision on writing off this balance after discussions and agreement with the Regional Director. This decision should be duly documented.

CPs are encouraged to regularly review their finance partnership practices to ensure they are in line with WaterAid's global principles of partnerships.

Appendices

Appendix 1: Risk-based partnership assessment[2]

1. The risk assessment tool supports the management decision on taking on a new partnership or re-assessing an ongoing relationship. The process and conclusion of the assessment should be based on the joint work of both programme and finance staff responsible. The identified risks and mitigation recommendation should be used in the partner monitoring and partner capacity building process, and should link with the partner capacity building plan.

Criteria	Risk rank (H/M/L)	Explanation
1. Prior knowledge of partner		If WaterAid has not worked with the partner before, consider the risk 'High'. If WaterAid has worked with the partner satisfactorily before, but does not now, consider the risk 'Medium'. If WaterAid currently works with the partner and there are no problems, consider the risk 'Low'. If there have been, or are, problems, the risk rank should be adjusted accordingly.
2. Organisation structure and governance		Legal and decision-making structure, management structure and authorisation processes.
3. Work to be delivered (if known)		Complexity of project work to be delivered and ability of partner to deliver. In assessing this, consideration should be given to the partner's previous experience in delivering such work and their access to technical skills and resources, etc.
4. Capacity and skills		Adequate finance staffing, systems and processes for accounting for funds, documented policies and procedures, and management reporting.
5. Funding		Size of the budget, donor compliance requirement and other funding sources.
6. Other factors		Status of partner within the region/area and/or political and environmental factors that may increase risk.

2. Each criterion will be ranked High, Medium or Low. It is then possible to score the criteria; each H will score 3 points, each M will score 2 points and each L will score 1 point. In this way, a total score is calculated and this determines the level of

[2] Adapted from http://thesource.wateraid.org/resources/policiesandprocedures/global/partner monitoring and support guidelines.doc

additional conditions for the partnership and how much capacity building and monitoring are needed.

Score	**Additional conditions to partnership**	**Capacity building**	**Monitoring**	**Frequency and approach***
6 – 9	None	Little or no capacity building	Limited monitoring required	Visits – annual joint visits by programme and finance staff. Reports – partner to submit quarterly reports.
9 – 12	Example: set up financial reporting system	Some capacity building	Low-level monitoring required	Visits – annual visits by programme and finance staff. Reports – partner to submit two monthly or quarterly reports.
12 – 15	Example: recruit finance officer, and train on budgeting and reporting	Short- to medium-term capacity building	Medium-level monitoring required	Visits – minimum 6-monthly visits by programme and finance staff. Annual visits by senior programme managers. Reports – partner to submit monthly reports.
15 – 18	Example: recruit staff, develop policies and procedures, and set up systems, etc	Long-term high capacity building plan	Close monitoring required	Visits – minimum 6-monthly visits by programme staff and finance staff. 6-monthly visits by senior programme managers. Reports – partner to submit monthly reports. The CP may ultimately wish to consider suspension, or not starting, activities, if risks are considered to be too high.

*This column provides guidelines.

3. Risks are not static and may change over time. There will be a need, therefore, to reassess risks on at least an annual basis. Further advice can be sought from the International Financial Accountant, Head of International Finance or Head of Region.

Appendix 2: Partner monitoring and support checklist/report

No.	Key areas of monitoring and support activities	Observation	Recommendation	Comment by partner
1	Review of financial statements submitted by partner • Check and verify that partner has submitted the financial returns in line with agreed activities • Check and verify that the financial returns agree with the approved budget. Also, check cumulative expenditure with respect to cumulative approved in the quarterly budget			
2	Financial control • Check any staff advance/loans/other debts or balances that are appearing on the financial statement • Check accounting processes and documentation • Check bank reconciliations • Check asset register, where applicable • Do audit trail of expenditure • Check supporting documentation			
3	Procurement processes • Check procurement processes • Check documentation • Check stock and materials			
4	Reconciliation of partner's advance balance • Review partner balances • Agree partner balances			
5	Capacity building and support • Review progress on previous training • Update training according to the capacity building plan			

6	Project activities • Visit project site with programme			
7	Other checks • Follow up on any issues from previous visits and/or financial reports			

Appendix 3: SWOT analysis

Step 1: identify the strengths, weaknesses, opportunities, threats

- SWOT analysis should focus on material strengths, weaknesses, opportunities and threats that will impact on the achievement of the partnership objectives.
- It is recommended that SWOT analysis is done as a group exercise.
- Strengths and weaknesses are considered internal factors, and so would focus on the partnership itself.
- Opportunities and threats are considered external factors, and so would focus on the external environment that the partnership is operating in.

SWOT Tool		
	Strengths	**Weaknesses**
I N T E R N A L		
	Opportunities	**Threats**
E X T E R N A L		

Step 2: agree actions

- The key output from the SWOT analysis is to identify and agree actions to address threats or weaknesses, and to benefit from any strengths or opportunities.
- Actions should have realistic deadlines, and the individual(s) responsible for the action should be clearly identified.
- The format set out below can be used to record the agreed actions.
- It is recommended that any significant threats or weaknesses be incorporated into the partnership risk assessment/risk register.

Strengths				
Item	Action	Who is responsible	Target completion date	Update since last review
Weaknesses				
Item	Action	Who is responsible	Target completion date	Update since last review
Opportunities				
Item	Action	Who is responsible	Target completion date	Update since last review
Threats				
Item	Action	Who is responsible	Target completion date	Update since last review

Appendix 4: Finance exit or transition checklist

Checklist		
Outstanding payments	**Yes/No/ NA**	**Comment**
Does WaterAid owe any funds to the partner?		
Is the partner holding any remaining WaterAid funds?		
Suppliers paid by WaterAid: have all outstanding supplier payments been settled?		
Suppliers paid by the partner: has the partner confirmed that all outstanding supplier payments have been settled?		
Assets	**Yes/No/ NA**	**Comment**
Has the partnership returned any assets owned by WaterAid which it holds? Alternatively, have arrangements been made to transfer ownership of assets to the partner?* *Please ensure any relevant disposal procedures, specified by WaterAid and/or the donor, are followed.		
Partnership compliance	**Yes/No/ NA**	**Comment**
Has the final financial report been submitted by the partner to WaterAid?		
Have planned partner support and monitoring visits been carried out?		
Is a final monitoring visit necessary?		
Has WaterAid carried out all of its finance obligations under the partnership agreement?		
Has any agreed capacity building been completed?		
Grant compliance	**Yes/No/ NA**	**Comment**
Has the partner provided any information required for donor reporting?		
Has the WaterAid finance team reviewed the grant contract to verify if there are any other donor compliance requirements that the partner should meet before the partnership is ended?		
Are the funds subject to a grant audit? Has the partner been made aware that a grant audit may be carried out even after the partnership has ended?		
Where required by the donor, has		

WaterAid gathered any records that might be required for a future grant audit?		
Completed by: **Date:**		
Reviewed by: **Date:**		

Appendix 5: Financial transactions minimum supporting documents

Transaction/activity	**Minimum documents**
Income/refunds	Receipt issued acknowledging refunds Official receipt issued for funds transfer received
All payments	Invoices/contracts/reports Authorised payment voucher
Equipment	Equipment – value determined by CP Invoice Evidence of payment Asset register
Salaries	Schedule of net salary paid to staff bank account or salary instructions duly stamped by the bank Schedule of PAYE remittance stamped by tax authority Evidence of tax payment
Monitoring, field visit	Approved terms of reference (TOR) Monitoring, field visit report Evidence of payment Payment voucher duly authorized
Project activities e.g. training, meetings, workshops, etc	Terms of reference and budget Attendance sheet (containing name, position, organisation, address/location, phone number, email address and signature
Month-end activities and financial reports	Obtain bank statement (ensure it is stamped by the bank) Conduct cash count – signed as appropriate Prepare cash reconciliation statement – signed as appropriate Prepare expenditure statement – this should compare actual with budgeted, and comment on reasons for variances (if any) Sequentially file all hard copies and keep as per donor and local country legal requirements