

NATIONAL AIDS COMMISSION

GRANTS OPERATIONAL MANUAL



Revised June 2015

National AIDS Commission
P.O. Box 30622
Capital City, Lilongwe 3, Malawi
Tel: (265) 01 770 022
Fax: (265) 01 776 249
www.aidsmalawi.org

List of Acronyms

ACB	Anti-Corruption Bureau
AIDS	Acquired Immunodeficiency Syndrome
ARV	Antiretroviral
CBO	Community Based Organisation
DA	District Assembly
FMA	Financial Management Agency
FBO	Faith Based Organisation
GoM	Government of Malawi
GMU	Grants Management Unit
GMC	Grants Management Committee
HIV	Human Immunodeficiency Virus
IA	Implementing Agency
LAHARF	Local Authority HIV Activity Reporting Form
MIS	Management Information System
MWK	Malawi Kwacha
NAC	National AIDS Commission
NSP	National HIV and AIDS Framework
NGO	Non-Governmental Organisation
OI	Opportunistic Infection
PLWHA	People Living With HIV/AIDS
PMTCT	Prevention of Mother-to-Child-Transmission of HIV
STD	Sexually Transmitted Disease
STI	Sexually Transmitted Infection
TWG	Technical Working Group
UNICEF	United Nations Children's Fund
USD	United States Dollar

Table of Contents

1.	PURPOSE OF THIS MANUAL.....	1
2.	INTRODUCTION TO THE GRANTS FACILITY	1
2.1	<i>National AIDS Commission and the National HIV and AIDS Action Framework</i>	1
2.2	<i>The NAC Grants Facility</i>	1
3.	ROLES AND RESPONSIBILITIES	2
3.1	<i>National AIDS Commission</i>	2
3.2	<i>District Assemblies</i>	4
3.3	<i>Implementing Agencies</i>	4
4.	PROJECT COMMUNICATIONS.....	5
4.1	<i>National grants</i>	5
4.2	<i>Umbrella Mechanism grants</i>	5
5.	GRANT TERMINATION	6
6.	PROJECT MANAGEMENT	7
6.1	<i>Workplan adherence</i>	7
6.2	<i>Project design modifications</i>	7
6.3	<i>Financial management systems</i>	7
6.4	<i>Budgeting</i>	7
6.5	<i>Grant disbursement</i>	7
6.6	<i>What may be charged to the grant</i>	8
6.7	<i>What may not be charged to the grant</i>	9
6.8	<i>Budget modifications</i>	9
6.9	<i>Capital assets</i>	10
6.10	<i>Procurement</i>	10
6.11	<i>Registration of permanent items</i>	Error! Bookmark not defined.
6.12	<i>Tax payments</i>	Error! Bookmark not defined.
7.	REPORTING REQUIREMENTS	13
7.1	<i>Project financial reporting</i>	13
7.2	<i>Project technical reporting</i>	15
8.	ON-SITE PROJECT MONITORING INSPECTIONS BY NAC . ERROR! BOOKMARK NOT DEFINED.	

1. Purpose of this manual

This manual has been prepared for organisations (hereafter referred to as Implementing Agencies) that have received a grant or signed an agreement with the National AIDS Commission (NAC) through its Grants Facility. This document forms part of the grant agreement between NAC and the awarded organisation and complements the separately bound *NAC Grants Facility Framework Document*, *NAC Procurement Manual* and *Guidance Notes on Reporting Requirements of NAC Grantees* – which also form part of the grant agreement.

This manual explains in detail the contractual responsibilities of Implementing Agencies (IAs) for managing and reporting on their NAC-supported projects.

As a living document, this manual is reviewed and revised as required periodically to address any changing needs and emerging priorities concerning the Grants Facility and the national response to the HIV and AIDS pandemic.

2. Introduction to the Grants Facility

2.1 National AIDS Commission and the National HIV and AIDS Strategic Plan

In accordance with the “*Three Ones*¹” principle for national approaches to combating the HIV and AIDS pandemic, NAC is responsible for coordinating the implementation of the National HIV and AIDS Strategic Plan (NSP). The NSP has the following goals:

- (1) to prevent further spread of HIV infection,
- (2) promote access to treatment for PLHIV, and
- (3) mitigate the health, socio-economic and psychosocial impact of HIV and AIDS on individuals, families, communities and the nation

Implementation and ultimate success of the national response to the HIV and AIDS pandemic depends on collaborative efforts by the public, private and non-governmental sectors to support the implementation of HIV and AIDS support interventions. NAC recognises that both government and civil society understand and appreciate the gravity of the HIV and AIDS situation in Malawi, and that the same are willing to organise themselves for concerted action.

2.2 The NAC Grants Facility

The NAC Grants Facility engages and supports partners from all sectors. The goal of the Grants Facility is to *increase utilisation of prevention, care and impact mitigation services across Malawi*.

Its specific objectives are to:

- (1) increase financial resources available to organisations from all sectors to implement HIV and AIDS services and activities;

¹ UNAIDS advocated principle in which there is (1) only one coordinating body; (2) only one HIV and AIDS implementation framework; and, (3) only one Monitoring and Evaluation system for addressing the HIV and AIDS pandemic nationally.

- (2) increase the number and range of implementing partners receiving resources and support; and,
- (3) improve human and organisational capacities to implement quality HIV and AIDS services and activities.

At national level, grants are awarded by NAC and managed by an in-house Grants Management Unit (GMU) established by the same.

At district level, under the NAC Decentralised Grants Mechanism (which supports HIV and AIDS interventions by IAs established and operating at community level), NAC has delegated responsibilities for the approval and management of grants to the city and district assemblies, with technical assistance provided by NAC District Coordination Unit.

District-specific guidelines and procedures for managing the Grants Facility under the Decentralised Grants Mechanism have been developed and are under implementation. In this respect, at district level, those guidelines and procedures prevail. For the management of grants approved at national level, the processes and procedures in this manual and associated documentation prevail.

3. Roles and responsibilities

3.1 National AIDS Commission

NAC is responsible for the implementation of the National HIV and AIDS Strategic Plan (NSP) and Workplan, and is accountable for expenditure of funds received from its funding partners for the Grants Facility.

NAC is responsible for:

- final approval of proposals and grant agreements;
- development of Grant Facility policies and procedures;
- timely disbursement of resources to IAs;
- development of capacity building strategies and annual capacity building workplans;
- provision of capacity building providers to support IAs;
- development of technical guidelines and protocols for services with assistance from Technical Working Groups (TWGs), and their dissemination to IAs and other stakeholders;
- design and implementation of a Monitoring and Evaluation system for the national response;
- marketing of and communicating progress with the Grants Facility; and,
- .

3.1.1 Grants Management Unit

This is a unit within NAC that is responsible for the day-to-day management of the Grants Facility. It has inherited functions from a previously contracted Financial Management Agency (FMA).

The GMU is responsible for:

- screening and processing of applications submitted for grant support at national level;
- budgeting for and disbursing of funds available to IAs;
- facilitating the contracting of and technical review process for grant proposals submitted at national level by appointed external expert reviewers;
- performing organisational and financial management appraisals of grant applicants;
- preparing grant agreements for IAs that have been awarded grant approvals by NAC;
- developing and implementing financial and technical reporting systems to be used by IAs to account for and communicate progress with the management and delivery of their NAC-supported projects and funding received;
- undertaking periodic monitoring and support site visits to IAs;
- reviewing and approving on the behalf of NAC financial, narrative and activity reports of IAs;
- providing organisational, financial and project management capacity building services to IAs;
- monitoring the implementation of supported interventions;
- collecting monitoring and performance-related information from IAs on the results of interventions supported by the Grants Facility; and,
- reporting progress made with the management of and performance of the Grants Facility to NAC Management.

3.2 District Assemblies

As previously stated, under the NAC Decentralised Grants Mechanism, at district level, the management of NAC Grants Facility activities are delegated by NAC to the city and district assemblies, with technical assistance from contracted NGOs.

The roles and responsibilities of the city and district assemblies are as those for NAC and its GMU, albeit at district level in managing Grants Facility activities to support HIV and AIDS interventions undertaken by Community-based Organisations (CBOs) and other IAs that are appropriate for receiving grant funding from the Grants Facility at grassroots level under the NAC Umbrella Mechanism.

The DAs receive funding from and report to NAC.

3.3 Implementing Agencies

IAs are organisations from civil society and the public sectors that are eligible for² and have been awarded grants under the Grants Facility to implement HIV and AIDS support interventions.

At national level, IAs are expected to:

- comply to all requirements governing their grant agreements with NAC, moreover:
 - implement planned activities according to approved workplans under their respective grant agreements;
 - manage and account for grant funds received from NAC for supported projects;
 - manage and supervise their projects;
 - monitor project activities, and resolve problems in project implementation;
 - notify NAC (through its GMU) in writing if there are any proposed changes in planned activities or budgets;
 - submit quarterly financial reports (inclusive of procurement activities) to NAC (through its GMU);
 - monitor progress and submit quarterly progress reports to NAC (through its GMU);
 - undergo financial audits as per the contractual requirements;
 - comply with national technical guidelines and protocols for HIV and AIDS service delivery;
 - respect guiding principles for service delivery: i.e. confidentiality, non-discrimination and non-judgemental attitudes;
 - allow and accommodate for supervisory/monitoring visits by NAC and/or its representatives and stakeholders;
 - make staff available for the such above visits;
 - maintain regular lines of communication with NAC;

² See the *NAC Grants Facility Framework Document* for grant applicant eligibility criteria.

- share knowledge and experience from the project and its activities with NAC; and,
- where relevant, coordinate all project activities with government and related non-government organisations.

At community level, IAs benefiting from the Decentralised Grants Mechanism are expected to adhere to the above. However, their lines of communication are with the city or district assemblies as the Grants Facility management agents for NAC at district level.

4. Project communications

4.1 National grants

At national level, all communication – written or electronic – from the IA about the implementation of its project is to be submitted to NAC (through its GMU), including progress reports, requests for funds, request for modification and other matters concerning its grant.

All written correspondence concerning projects should be sent to the following address:

The Executive Director

National AIDS Commission

P.O. Box 30622

Lilongwe 3

Malawi

Attention: The Head of Grants

Tel: (265) 01 770 022

Fax: (265) 01 776 249

E-mail: gmu@aidsmalawi.org.mw

All project reports are to be submitted both in electronic (i.e. by e-mail or on a CD) and hardcopy form. Thus, to accommodate for the electronic submission of reports and other information concerning a project, nationally supported IAs are required to have access to a computer and the Internet. These items can be acquired via the NAC grant, if necessary, to connect an organisation electronically with NAC and the broader community of HIV and AIDS practitioners.

4.2 Decentralised Grants Mechanism

All written correspondence from IAs benefiting from the Decentralised Grant Mechanism is to be sent to the address of the city or district assembly for which the IA has acquired grant funding. The correspondence should be addressed to the District Commissioner (for district assemblies) or the Chief Executive (for city assemblies) for the assembly concerned.

At community level, hardcopy-only submission of reports to the District Assembly (DA) is acceptable (as many CBOs may not have access to information technology), provided that these reports have been approved and signed by an authorised representative of the IA.

5. Grant termination

NAC and the IA may decide to cancel the grant agreement under the following conditions:

- bankruptcy;
- if any of the parties violate the grant agreement;
- if project performance is unacceptable; and,
- if there is a reduction or cessation of grant funding to NAC.

NAC reserves the right to reduce its contribution, stop transfer or claim repayment of all or part of the grant funds transferred if:

- contractual obligations, including reporting and accounting obligations, are not met;
- it emerges either from reports or from some other source, that the funds are not being used or have not been used for the agreed purposes; and,
- alternative funding proves to have been acquired for the same activities, unknown to NAC.

A minimum of three months written notice, giving reasons, is required for cancellation of the agreement. In the case of a gross violation, one-month notice will be given.

In case of termination of funding due to reasons of dispute or violation of the agreement by an IA, NAC reserves the right to recall all assets acquired by the IA out of the funds provided by NAC, or to request the IA to transfer such assets to any other organisation or location as formally communicated by NAC.

In the event that an IA wishes to relinquish a grant prior to the end of the grant period, written notice to NAC is required. The notification should be signed by the IA's Director and/or by an official of the IA authorised to sign in such matters. The relinquishment of a grant may necessitate a return of funds. For an active project, NAC should receive a final report of expenditure within 21 days of the revised termination date. No obligations incurred after the termination date will be reimbursed and any unexpended funds must be returned to NAC with the final financial report. In this case, all permanent and capital items acquired under the grant must be returned to NAC.

Non-compliance on the part of an IA with the grant agreement or with the laws and regulations of the Government of Malawi (GoM) will result in delayed payment of funds and may result in the termination of the grant.

In matters concerning corruption and fraud, NAC has entered into a Memorandum of Understanding with the Malawi Anti-Corruption Bureau (ACB) to counter such practice. The ACB is NAC's collaborating agent to investigate and, where matters of corruption and fraud are confirmed, assist NAC with implementing the necessary legal measures to prosecute guilty parties in accordance with the *Corrupt Practices Act*.

6. Project management

6.1 Workplan adherence

Unless otherwise agreed with NAC, the IA is expected to implement all project activities under the grant in accordance with the proposal, workplan and budget approved by NAC. Therefore, the IA is bound by the arrangements as stated in the approved proposal document for the formal implementation of the project. Any deviations from the approved proposal document, without the prior written approval from NAC, may result in the discontinuation of support of the project by NAC.

6.2 Project design modifications

Through experience and lessons learned during the course of implementation of its project, an IA may propose to modify the project workplan and budget as approved by NAC during the life of the project. This could apply to changes in project objectives, target groups, coverage areas, project activities and/or budget line items. Any proposed changes to the project and its budget must be submitted to NAC in writing with justification(s) for the same. Should NAC support the proposed changes, it will formally communicate its approval of the same in writing to the IA.

6.3 Financial management systems

The IA must establish and maintain a separate bank account to be used exclusively for maintaining the project funds. NAC through its GMU will transfer tranches of funds to the IA's dedicated bank account upon submission of written grant disbursement requests and compliance to reporting and other conditions concerning the management of the grant as communicated by NAC. The joint signatures of at least two of the IA's authorised staff should operate IA accounts (ideally, the account signatories should at least include the organisation's director (or equivalent) and finance manager). It is also the responsibility of the IA to maintain financial ledgers. NAC is responsible for reviewing the IA expenditure reports, the IA financial record keeping systems, other relevant financial matters and for providing financial technical assistance for the correct establishment and maintenance of these systems, as needed. NAC may decide at any time during the life of the project to independently audit the IA and review all financial records.

6.4 Budgeting

Projects are approved on the basis of the proposed overall budget. This project budget should be presented in accordance to the formats contained in the *NAC Proposal Writing Guidelines* (separately bound).

6.5 Grant disbursement

For the first tranche of grant to be disbursed for a project, the IA will be required to submit a disbursement request in compliance with the requirements stated in a letter accompanying the grant agreement for the project within one month of the letter. Failure to comply with the requirements as stated in this letter within this one-month period may lead to discontinuation of the grant by NAC. In general, NAC will disburse grant funding for the maximum of the first two quarters of the project in the first tranche. This is to ensure that, in principle, a buffer of one quarter of funding is maintained throughout the life of the supported project.

In principle, for each operational quarter of a project thereafter, NAC through its GMU advances to the IA funding to cover expenses for the oncoming quarter. If the disbursement is made after the start of the quarter to the IA, it covers anticipated expenses until the end of that quarter, plus an additional period, as determined by NAC. If the IA needs additional funds for exceptional expenditures, a written request should be made to NAC for its consideration.

NAC disburses grant funds by bank transfer to the IA's dedicated bank account. The IA is required to verify and confirm in writing the receipt of the funds into its dedicated project bank account to NAC.

For items to be acquired that first need to complete a required procurement process (i.e. Local Shopping), the IA is required to submit for approval by NAC a complete procurement file for the item(s) to be procured. Should NAC deem that the procurement process and supporting documentation is compliant to NAC procurement procedures, and the IA is also meeting its other contractual requirements under its NAC grant, NAC will disburse funds to the IA to acquire the goods or services concerned.

6.6 What may be charged to the grant

In general, the following budget items are eligible under the Grants Facility:

- project-specific personnel and technical assistants;
- project-specific travel and transport related expenses;
- per diem allowances at or below GoM approved rates;
- project-specific office operating costs;
- HIV and AIDS prevention, treatment, care and impact mitigation services;
- any relevant activity in support of the national response;
- networking, coordination and exposure visits in Malawi;
- relevant training in Malawi for project staff, community volunteers or target groups;
- project monitoring and evaluation activities;
- non-medical supplies/equipment;
- over-the-counter/non-prescription drugs and related supplies; and,
- other project administration costs, if itemised in the project budget and are directly related to the project.

The cost-effectiveness in relation to the proposed interventions and the IA's previous track record in managing both NAC and other donor funded projects are used as criteria during the budgetary assessment process at the proposal review stage.

6.7 What may not be charged to the grant

The following items are ineligible under the Grants Facility:

- (except for renovations/maintenance of existing premises) building and construction activities;
- workshops/seminars/conferences (inclusive of training) outside of Malawi;
- specialised medical equipment and supplies;³
- specialised drugs and related supplies;⁴
- salaries (either in part or full) for civil servants of the GoM;
- salaries (either in part or full) for non-project-specific staff;
- for international organisations, overseas costs (i.e. rental of overseas offices and utilities, overseas-based staff, international flights, overseas management costs, etc);
- previous obligations (i.e. expenses related to activities that were implemented prior to the approval of the project);
- items not procured in accordance with NAC's procurement rules and regulations;
- per diem allowances in excess of current GoM rates;
- import duties, customs duties or domestic taxes imposed directly or indirectly by the GoM;⁵
- bad debts;
- fines;
- penalties; and,
- land.

6.8 Budget modifications

The IA may make minor transfers within the budget cost centres without consulting NAC, within 5% of the subtotal of that cost centre (the cost centres are Personnel, Travel and Transport, Office Operating Costs, Programme Delivery and Capital Assets). However, the IA must notify NAC of any such change describing the modification and explaining its purpose.

Written approval from NAC is required for transfers greater than 5% within a cost centre, or between different cost centres. The percent calculation should relate to the cost centre from which the transfer has been made.

³ These items can be obtained free-of-charge via the Ministry of Health as funding for items of this nature have been disbursed by NAC to the Ministry of Health (via a procurement agent) to acquire and distribute to accredited IAs throughout Malawi.

⁴ Ibid; over-the-counter/non-prescription drugs and related supplies are considered non-specialised and may be acquired under a NAC grant.

⁵ Further information about payment or not of local taxes under the NAC Grants Facility is given in the *NAC Procurement Manual*.

6.9 Capital assets

The IA requires prior approval from NAC for any expenditure on capital and equipment items not included in the approved budget. Goods and equipment procured under the grant are to be accounted for in quarterly and end-of-grant financial reports via an inventory ledger (see *Guidance Notes on Reporting Requirements of NAC Grantees* for format (separately bound)).

6.10 Procurement

The IA may require various goods (e.g. office stationary), services (consultants) or works contracts (building renovations) for the project. For goods or services costing up to USD30,000 (MK equivalent) per item, Local Shopping procurement procedures are required.⁶ These procurements require prior approval from NAC, through the development of a procurement plan prepared in accordance with the format contained in the *NAC Proposal Writing Guidelines* which NAC has to approve prior to the GRO commencing any procurement processes. NAC also has to approve the procurement process conducted by the GRO prior to award of contracts/ purchase order and disbursement of resources.

For any items that exceed USD30,000 (MK equivalent) in value, procurement is handled directly by NAC's Procurement Unit and need not be procured directly by IAs. However, to ascertain the precise value of the amount of funding committed to an IA, the budgetary provision for the estimated costs of items to be procured by NAC for the project must be included in the approved project budget and procurement plan.⁷ Therefore, these items will be incorporated in the overall grant budget awarded to the IA by NAC.

In exceptional circumstances and as a capacity building measure, GROs may be allowed to procure goods valued at over US\$30,000 subject to a procurement capacity assessment and approval by the NAC.

Unless otherwise agreed with NAC, all items to be procured under the project directly by the IA must be acquired before the end of the first quarter of project implementation. Unless justification is provided to the satisfaction of NAC, the associated budgets for the goods and services to be procured by the IA for the project that are not acquired by the end of the first quarter of project implementation will be deducted from the approved budget and the IA will not be permitted under NAC funding to procure these items. As these items may be essential to the effective delivery of the approved project, a decision by NAC to discontinue its support for the project may result (as resources required to deliver the project effectively will have not been in place at a critical stage of the project's life).

Further, the following items (classified as Common Goods) are centrally procured by NAC for distribution to IAs that require these items to implement their respective projects:

- motor vehicles (including motor cycles);
- IT equipment; and,
- bicycles.

⁶ Detailed procedures to undertake procurement under a NAC grants are described in the *NAC Procurement Manual* and its supporting documents.

⁷ In the procurement plan, under the procurement method to be used, the IA will indicate that the item will be centrally procured by NAC and acquired by the IA from the same.

IAs that have approved grant budgets inclusive of the above items will be eligible to acquire the same from NAC via a formal requisition request⁸ and account for them upon receipt. These items will be transferred to or collected by the IA at a mutually agreed date between NAC and the IA prior to or during the implementation of the project.

Costs associated with maintaining the above items should be included in the IA grant budgets (e.g. fuel, vehicle maintenance costs, insurance, etc).

In exceptional circumstances and as a capacity building measure, GROs may also be allowed to procure common goods on their own subject to the same procurement capacity assessment and approval by the NAC. Where it is envisaged that the centrally procured framework contracts will take long to conclude and may delay programme implementation, GROs may also be allowed to procure common goods on their own subject to the laid down approval procedures.

The table below summarises procurement methods that are applicable under the Grants Facility which are used by IAs and NAC to acquire goods, services and/or works to delivery their projects:

Type & value of an item or package of items	Procurement Method
a) Above US\$30,000 equivalent	National & International Competitive Bidding (NCB & ICB) – done by NAC – <u>not the GRO</u>
b) Below US\$30,000 equivalent	Local Shopping (LS) – done by the GRO – <u>not by NAC</u>
c) US\$0 to any value equivalent	Direct Purchase (DP) – done by either <u>NAC or GRO</u> but subject to World Bank approval
d) Common Goods – any value	Done by NAC – <u>not the GRO</u>
e) Exceptional Circumstances	As a capacity Building initiative GROs may be allowed to procure Common goods and Non-common goods valued at over US\$30,000 subject to a procurement capacity assessment and approval by NAC.

The Direct Contracting method or “sole sourcing” is acceptable when competitive methods are not practical, when only one competent supplier/contractor is available, for a small extension of a previous contract awarded through a competitive process or in justified emergency situations. In all circumstances, the use of the direct contracting method by an IA will require prior approval from NAC and the World Bank.

Before clearing the bills and vouchers for a procured item acquired for a project, the IA must check and ensure that each and every bill for materials or goods procured is supported by bidding documents and quotations, where relevant, plus the original copy of an approved purchase request duly signed by an authorised representative of the IA.

All procurements undertaken under the project must to be reported in quarterly financial reports to be submitted by the IA to NAC.⁹

⁸ See the *NAC Procurement Manual* for format.

⁹ See Section 7 for information.

Detailed information concerning procurement procedures and processes under the Grants Facility are contained in the separately bound *NAC Procurement Manual*.

6.11 Registration of permanent items

All long-lasting and capital items purchased or received by the IA under the grant must be recorded in a separate ledger called an Inventory Ledger for Permanent Goods¹⁰. This important ledger contains entries of long-lasting items acquired via the NAC grant such as:

- materials and goods which last more than a year;
- bicycles;
- equipment and tools;
- furniture; and,
- motor vehicles.

Goods or materials which are drawn for office use by different sections of the IA specifically for the supported project, should not be marked as expenditure. To show this type of issue, a separate subsidiary ledger should be opened. Expenditure should be mentioned in the ledger book only after the ownership of goods or materials is transferred through auction, sale, rebate or handover.

6.12 Tax payments

Payment of income tax is the responsibility of each staff member and the IA according to GoM rules and regulations.

Depending on the source, project-specific goods and services acquired by the IA for the project are exempt from import duties and local taxes (e.g. surtax). Modalities for applying or not tax to goods and services acquired under projects are explained in the separately bound *NAC Procurement Manual*.

¹⁰ See *Guidance Notes on Reporting Requirements of NAC Grantees* for format.

7. Reporting requirements

The separately bound *Guidance Notes on Reporting Requirements of NAC Grantees* contains information on and the formatting to be used by IAs for preparing and submitting all reports they are contractually obliged to submit under their grants with NAC.

This section describes these reports.

7.1 Project financial reporting

7.1.1 Quarterly financial reports

The IA must complete a quarterly financial report and send it to NAC (via its GMU) for every operational financial quarter of the project, or part thereof. Submission is, where possible, electronic, plus one signed hard copy. This report should be submitted no later than 21 days after the close of the quarterly reporting period concerned.

Reporting periods follow the GoM financial year as indicated in the table below:

Quarterly reporting deadlines under the NAC Grants Facility	
Quarter	Report submission deadline
July to September	October 21
October to December	January 21
January to March	April 21
April to June	July 21

Regardless of the start date of the project, a quarterly financial report is required to be submitted even in instances when only a portion of a quarterly period is absorbed within the project effective period.¹¹

In the event that the quarterly financial report is not received in time, NAC will not be in a position to determine the portion of IA funds that have been spent during the previous quarter. Consequently, NAC will not be able to release the next quarter's funds. Thus, the timely submission of reports influences the timely disbursement of grant funds for supported projects.

A complete quarterly financial report consists of the following items:

- copies of the cashbooks for the quarter;
- signed copy of the financial report for the quarter in the prescribed format;
- summary of the monthly expenditures which cumulatively add up to the quarterly report;
- copies of petty cash books for the quarter;
- copies of balances from ledger account;
- a bank reconciliation statement;
- statement of sources and uses of NAC funds;
- an inventory ledger;
- copies of bank statements for the quarter; and,
- supporting bills and vouchers to back up all transactions (these should be appropriately filed and readily available for the GMU/auditors to verify at the grantee's premises).

Upon receipt, NAC will review and submit written feedback on this report within two weeks. The IA should keep copies of this report in its office for its use and record.

The separately bound *Guidance Notes of Reporting Requirements of NAC Grantees* contains the reporting templates to prepare the above items.

Within the financial report, if relevant, the IA must submit procurement reports that summarise the processes used for the goods and services procured during the quarter reported.¹²

¹¹ For example, for a project which effectively commenced in November, a quarterly financial report will still be required to be submitted for the October-December quarter.

¹² See *Guidance Notes on Reporting Requirements of NAC Grantees* for format.

7.1.2 Annual financial report

The IA should submit an annual financial report covering all its activities, not just those supported by the grant, summarising all project activities during the year. This report should be submitted within 21 days of the close of the project year.

7.1.3 End-of-project financial report

At the end of the grant period (including any agreed extensions) a final report of grant expenditures is due 21 days after the project end date. After approval of the report, if required, NAC will transfer any remaining grant funds to support project activities into the IA's account. All unspent funds must be declared and returned to NAC at the close of the project.

7.1.4 Audits

An external audit is a review by an independent contractor appointed by NAC of the overall grant management, including balance sheets, income statements, operational and internal controls to determine the scope and reliability of financial data under the grant. It forms an opinion as to the truth and fairness of the project accounts.

IAs with a grant of the MWK equivalent of USD 1,000 must have their accounts externally audited annually by NAC-appointed auditors. The IAs must provide to NAC true copies of the external audit reports covering the project period. IAs with a grant of less than USD 1,000 are required to keep their accounts in order and available at all times for audit through spot checks by NAC's GMU, a contracted auditor and/or NAC's Internal Audit Unit.

NAC may decide at any time during the life of the project to independently audit the IA and review all financial records and management systems.

An internal audit is an appraisal activity within an organisation for the review of operations as a service to management, including a systematic and independent examination of operations and activities carried out. NAC can support IAs with undertaking such an audit on request.

7.2 Project technical reporting

7.2.1 Detailed implementation plan

At the beginning of the project, the IA should submit a detailed implementation plan and revisited budget for the first year of its project to NAC. This implementation plan and budget will form part of the IA's disbursement request for its first tranche of grant for the project.

7.2.2 Monthly project activity report

As all supported services are to be delivered as part of the National HIV/AIDS Strategic Plan, IAs are expected to report monthly, to Local Authorities on standard indicators as defined under the National Monitoring and Evaluation framework through the Local Authority HIV and AIDS Reporting System (LAHARS). Using a standardised Local Authority HIV/AIDS Reporting Form (LAHARF), IAs are expected to submit monthly activity reports 15 days following each operational month of their projects supported by NAC. The monthly activity reporting form (LAHARF) is contained in the separately-bound *Guidance Notes on Reporting Requirements of NAC Grantees*.

If the IA has and monitors additional indicators as part of its own management information system (MIS) for the supported project, these should form part of the annexes to the monthly report.

7.2.3 Quarterly progress report

To complement the quarterly financial reports, IAs must also submit written quarterly progress reports during the project period. These reports should describe progress toward meeting project objectives, the activities undertaken in the last quarter and any problems encountered in implementing the project plan. The suggested format for the presentation of these reports are contained in the separately-bound *Guidance Notes on Reporting Requirements of NAC Grantees*.

In general, the quarterly progress report should present the following:

- achievements versus planned activities;
- problems faced, and lessons learnt;
- changes suggested to workplan and/or budget;
- capacity building support needs; and,
- any other feedback to NAC.

One signed hard copy and an electronic version of the report should be submitted to NAC by no later than 21 days following the end of the quarter concerned. As the report is to be submitted together with the quarterly financial report, the reporting due date for this report is identical to those for the submission of quarterly financial reports.

Upon receipt, NAC will review and submit written feedback on these reports within two weeks. The IA should keep copies of these reports in its office for its use and record.

7.2.4 Annual progress report

An annual progress report should incorporate the last quarterly progress report with reporting for the project year that has just been completed covering all its activities implemented during the year. The same format used for quarterly progress reporting may be used to prepare this report. This report should be submitted within 21 days of the close of the project year together with the annual financial report.

7.2.5 The end-of-grant final report

The end-of-grant final report should consist of a last quarterly progress report, plus a report for the whole grant period, according to the same format used for quarterly progress reporting. This report is to be submitted by no later than 21 days following the project end date.

8. On-site project monitoring inspections by NAC

To complement the reporting of progress with projects, and to follow up on matters addressed in reports submitted by IAs to NAC, NAC conducts on-site inspections or supportive visits of IAs to assess both the financial and technical aspects of projects during their implementation. This is to verify that what is being reported is supported with the relevant

documentation/information at the grantee's premises and in the field where supported projects are being delivered. These monitoring exercises inform NAC Management on progress with project implementation and are used to make decisions on the continued funding, or not, of projects during their life and beyond based on the recommendations made by the NAC monitoring teams.

These visits are also to be conducted to provide support and advice to the IAs by NAC to guide implementation and revisit issues reported by the IAs which affect project implementation.

