

# Financial management policy

In force from 1 November 2024

## 1. Goal

The financial management policy of Resilience of Health Care Systems has been formulated, in order to ensure transparency in all of the Organisation's activities so that the Organisation adheres to the standards of good financial management and effective financial management in its work.

Financial management policy encompasses the accounting system, budget, financial reports, payments, annual financial reports, taxes and duties. It determines the set of financial administration procedures and the Organisation's fiscal responsibility procedures.

## 2. Distribution of Responsibilities

The financial situation of Resilience of Health Care Systems will be reviewed by the Board once a month, devoting the main attention to the budget, revenue and expenditures. The CEO and Deputy CEO/Event Manager (and before their hiring - the Board) are responsible for the provision of financial control measures. The Organisation's Board or the two aforementioned office-holders are jointly responsible for resolving the following financial matters:

**Payroll management:** overseeing salary costs, in order to ensure the precise and timely performance of payments and partners in cooperation with an external (outsourced) accountant.

**Office and administrative management:** effectively managing financial aspects related to office work and administration.

**Budget and management report preparation:** drawing up and overseeing the budget, providing management reports regularly, in order for justified decisions to be made.

**Cash flow management processes:** implementing effective cash flow management and oversight processes, in order to meet the Organisation's core operating requirements.

**Expenditure accounting and approval:** in cooperation with an external accountant (external service provider), managing expenditure accounts and approval processes, providing regular and precise monthly reports to the Board, State Revenue Service and donors.

**Budget compliance:** in cooperation with external (outsourced) accountant, to ensure that expenditures do not exceed the limits of the approved budget.

**Targeted expenditures:** in cooperation with external (outsourced) accountant, to verify whether expenditures correspond to the goals set in the budget.

**Financial documentation:** in cooperation with the external service provider, collating, arranging and duly submitting financial documentation, including price quotes, invoices and receipts.

In the event of the Organisation's numerical growth, it may be possible to appoint a special employee, who will manage the Organisation's accounts internally, or a financial manager, who will undertake duties related to management of procurements and agreements, thus improving the effectiveness of these important functions.

The duties of the Organisation's auditor includes a range of procedures, whose objective is to promote and defend correct management practice in general and financially. Initially, internal accounting control will be performed by Board Members in cooperation with external (outsourced) accountant. In the event that a CEO and Deputy CEO are hired, the office-holders fulfilling these duties are responsible for overseeing the regular implementation of the relevant policy and procedures. In light of the complexity of the requirements related to funding from specific donors, the relevant project manager responsible for each project will be entrusted with reviewing the special conditions, requirements and compliance factors of the relevant donor.

### **3. Effective Date and Applicability**

This financial policy is valid from 1 November 2024 and it contains detailed instructions for financial and administrative management.

## 4. Accounting System

The practical accounting systems of Resilience of Health Care Systems consists of the following elements:

### 4.1. Financing agreements

A financing agreement between each donor and Resilience of Health Care Systems is an all-encompassing document that contains a detailed description of various important aspects of the project. It must include the following main elements:

1. **Activities to achieve attainable results:** clearly define the activities that will be supported by funding, specifying in detail how they will facilitate the attainment of the project's results.
2. **Project financing:** specify the financial liabilities of the donor, including the total amount, payment schedule and any conditions or restrictions in relation to expenditure of funds.
3. **Reporting on activities:** provide detailed reporting requirements, including a narrative report, and provide a narrative describing progress, problems and achievements in according with project goals.
4. **Financial report:** provide a detailed overview of the expenditure of funds, complying with standard practice for provision of financial reports.
5. **Reporting periods:** clearly specify the frequency of and deadlines for descriptive and financial reports.
6. **Financing and product procurement management:** determine procedures for management of allocated funds, including expenditure process and product and service procurement guidelines.
7. **Budget conditions:** specify all budget conditions regarding how financing will be used. This ensures compliance with the planned expenditure of funds and prevent erroneous allocation of funds.

## 4.2. Budget

A budget serves as an all-encompassing financial scheme in which planned activities are specified, and divided into categories. In accordance with the provisions set out in the agreement, expenditures linked to specific activities are specified in each budget item. For example, expenditures may include a number of events, the number of visitors, premises' rental expenditures and consultants' fees.

Travel expenses and daily subsistence allowances are accounted for separately or linked to specific events. The budget specifies applicable charges per kilometre and daily subsistence allowance rates. The administrative expenditure reserve includes various elements, e.g. the charge for accounting, audit charge, phone expenditures, rental charges, stationery products and other office-related expenditures.

Unless the relevant donor has stipulated otherwise, Resilience of Health Care Systems adheres to daily subsistence allowance rates that are set in accordance with Republic of Latvia Cabinet Regulation No. 969 "Procedures for Reimbursement of Expenses Relating to Official Travels". More detailed information about this document can be found here: <https://likumi.lv/ta/en/en/id/220013>.

Office expenditures can be broken down into specific categories or provided for as a one-off amount, in order to cover the total overheads for the whole project. If expenditures are divided into specific expenditures, the actual expenditures are requested every month when they arise, in accordance with the stipulated guidelines. In the case of a one-off amount, the total overhead amount can be transferred to a special account from which total current expenditures are paid every month.

In the event that administrative overheads are provided for in the financing agreement, Resilience of Health Care Systems can transfer overheads to a special account, e.g. "own funds", consolidating overheads from various projects. Transferring overheads to the "own funds" account, the amount is registered as a single expenditure in the project documentation for the relevant month.

The own funds account serves as a centralised body that makes it possible to pay the Organisation's current expenditures, which are not related to a specific project. Moreover, the remaining funds in this account can be used to overcome periods when projects have been completed and new projects have not yet been commenced. Such elasticity enables Resilience of Health Care Systems to cover current expenditures during transitional stages between projects, e.g. rental, phone and insurance expenditures.

#### 4.3. Bank account (-s)

The Organisation's requisites are as follows:

### **Resilience of Health Care Systems**

Reg. No. 40008339471

Registered office address: G. Zemgala Avenue 74, Riga, LV-1039

Account: LV85HABA0551058924726

Bank: AS SWEDBANK

**Electronic transfers:** the transfer request is signed by a designated signatory, and the Board Chair is the main signatory, but in the absence of the Board Chair, the other two Board Members are entitled to make transfers, certifying them together with one other Board Member.

The signatory who confirms the transaction also signs the transfer documentation.

- **Specific project sub-accounts:** if this requested by the funding donor, a special sub-account or Treasury account will be opened to exclusively manage the funding donor's approved budget and the activities related to it.

- **Bank payments:** the Board Chair is responsible for making monthly banking approvals, after which the approvals are approved by at least two Board Members. This two-stage verification ensures the precision and transparency of financial transactions.

#### 4.4. Cash

In order to preserve financial transparency, whenever possible, Resilience of Health Care Systems will avoid cash payments. However, recognising that special requirements could arise, the following principles will be observed:

**Control and responsibility:** unless otherwise stipulated in the project, the Board Chair shall control cash funds, maintaining unilateral access to cash and undertake responsibility for harmonising receipts and the remaining cash funds. The person handling cash is responsible for balancing the books and is responsible for any cash shortfall. The cash box key shall always be kept by the person handling cash.

**Safekeeping in a safe:** cash shall be kept in a secure, lockable cabinet or safe.

Completion of transactions: the transaction will be considered to have been completed, when a document certifying payment (invoice or petty cash receipt) has been submitted to the Board Chair, who is responsible for the safekeeping of cash, and the cash surplus has been returned.

**Documentation:** the final paid amount and funds returned in cash shall be registered on a cash request form.

### 5. Fixed Assets

In relation to general procurements, including stationery goods, refreshing drinks, fuel, cleaning agents, etc., Resilience of Health Care Systems observes the following procedure:

**Procurement order:** before goods are purchased, a competitive dialogue form shall be filled in. This document sets out the specifics of the planned procurement and clearly indicates the relevant project, in order to ensure precise allocation and traceability.

**Product receipt confirmation:** the delivery waybill, which confirms the receipt of goods, shall be signed by the designated employee of Resilience of Health Care Systems, who receives the goods. This serves as confirmation of a successful delivery.



**Invoice confirmation and payment request:** afterwards, the invoice shall be submitted to the Board Chair for approval and to the responsible project manager for payment. The invoice shall be approved by the project manager with his signature. The project manager shall also specify the relevant budget item, in order to ensure the breakdown of expenditures and financial traceability.

**Payment process:** payments are made, using secure methods, e.g. bank or electronic transfers, thus ensuring breakdown of expenditures, transparency and financial accountability.

## **6. Registration of Project Activities**

**Financial responsibility:** the Board Chair or CEO undertakes responsibility for accounting, ensuring that all of the Organisation's Resilience of Health Care Systems financial transactions conform to the accounting practice accepted in the Republic of Latvia. Activities are conducted as stipulated in the donor's agreement, ensuring the breakdown of expenses in the accounts as well as expense itemisation, as well as corroborating evidence of each activity is collected.

**Report provision process:** provision of reports takes place in two main categories:

**A. A report describing the activity:** the project manager provides a comprehensive report about each activity, which includes the following documentation:

- an event or activity attendance register signed by all participants;
- more detailed information, e.g. the event date, venue and subject matter, as well as the target group (recorded in the attendance register);
- evaluation forms, which participants fill in at the end of the event;
- anonymous feedback from participants regarding the content of presentations and events (included in the evaluation document);
- results, problems and the measurable results attained.

**B. Financial report on events:** a detailed financial report is prepared for each event, collating all expenditures that have arisen, including:

- premises rental expenditures;

- external experts' fees, including researchers, lecturers, etc.
- travel expenses, including tickets and the fuel charge per kilometre for external experts or the Organisation's personnel if the event takes place outside Riga;
- presentation materials and stationery products used during the event;
- snacks consumed during public events under the auspices of the project;
- daily subsistence allowances (daily allowances) for the duration of the absence from home/office.

In planning the activity, it is necessary to strictly monitor that all expenditures correspond to the approved budget.

## 7. Payments

### Electronic payments using the internet bank

Payments that are made electronically using the internet bank shall be made in accordance with the following procedure:

**Authorisation:** payment of an invoice is authorised with the signatures of the project manager and Board Chair, adding a reference regarding the budget item on the invoice.

**Invoice details:** in the relevant invoice, the project manager adds the project number and budget item.

### Cash payments

Payments made in cash are subject to the following procedure:

**Registration:** each cash payment shall be carefully registered on a budget allocation form.

**Cash request:** the Board Chair is responsible for filling in the petty cash ledger receipt, specifying the amount from the eligible budget item.

**Issuance of a document certifying the transaction:** if possible, it is the duty of the cash recipient to issue a physical invoice or receipt as proof of the performance of the cash transaction.



**Purchase completion:** after the purchase has been made, the document (invoice) certifying payment and the remaining cash shall be returned to the Board Chair.

**Registration of actual expenditures:** actual expenditures are registered, and the Board Chair signs the budget allocation form, confirming the completion of the transaction.

**Attachment of the document certifying payment:** the payment certification (invoice) is attached to the budget allocation form for documentation and audit requirements.

## 7.1. Bank transactions - accounting

### **Bank transaction registration procedure:**

Resilience of Health Care Systems conducts electronic banking transactions, debit orders and bank commission payments. The registration process takes place according to a systematic schedule that includes:

**Starting balance:** the starting balance at the start of the month serves as the starting point for the accounting period.

**Electronic banking transactions:** all electronic banking transactions are recorded in chronological order, specifying the nature and specifics of each transaction in detail.

**Debiting orders:** debit orders are registered that the bank has paid, specifying the amounts and recipients.

**Bank commission charges:** banking expenditures that have arisen over the course of the month are documented, specifying a separate expenditure breakdown.

**Closing balance:** the schedule concludes with the balance at the end of the month, providing a comprehensive overview of the financial status.

## 7.2. Payments for goods, work and services and cash management

Goods, work and service payment and cash procedures are as

follows:

**Competitive dialogue documents:** all goods, construction works and service procurement orders must start with competitive dialogues and procurement orders, considering them as applicable and binding documents. Payments for goods and services are only permitted if authorised competitive dialogue documents are accompanied by invoices and a duly authorised payment receipt.

**Desired payment method:** if possible, payments should be made by bank transfer. Blank bank payment cheques must not be signed, and all corroborating documents must be attached for verification purposes.

**Cash payments:** payments are only made in accordance with valid invoices. In regard to all cash payments, payment recipients must sign a petty cash ledger receipt.

**Working with cash:** applications to receive cash must be submitted on the corresponding form, and approved by the Board Chair or CEO or, in her absence, by the Deputy CEO. Cash may only be issued to the Organisation's employees, and documents certifying its expenditure must be submitted with seven days of returning (if it has been intended for a trip) or the completion of the set task. Fresh sums of cash will not be issued before a report has been received along with the balance of the cash sum issued the time before.

**Advance payments:** advance payments will not be made for the delivery of goods or services unless provided for otherwise in the agreement.

**Daily subsistence allowance rates:** while performing official duties outside Resilience of Health Care Systems' core operating territory (Republic of Latvia), personnel and Board Members are paid daily subsistence allowance rates in accordance with Republic of Latvia Cabinet Regulation No. 969 "Procedures for Reimbursement of Expenses Relating to Official Travels". More detailed information can be found here: <https://likumi.lv/ta/en/en/id/220013>.

**Items included in the daily subsistence allowance:** the daily subsistence allowance includes accommodation in a hotel and meals. For accounting purposes, receipts will not be requested, but

before the official trip, proof shall be submitted to the Board Chair or CEO, using the working visit request form, regarding the nights/days spent during the official trip.

**Management of cash:** all cash transactions must be completed at the end of every month. The closing balance at the end of the month must match the cash available. In the event of any shortfall, the cash supervisor is responsible for repaying the shortfall into the cash box from his or her own funds.

## 8. Monthly Expenditure Summaries

Resilience of Health Care Systems uses a detailed expenditure accounting schedule in order to carefully register all expenditures in each budget item every month. This schedule includes columns indicating the budget in accordance with the financing agreement and highlighting the difference between actual expenditures to date and the budget. Differences are clearly indicated as a budget deficit or budget surplus. This instrument is of decisive importance, enabling the organising to supervise and assess the progress of financing agreement expenditures effectively, ensuring transparency and control of financial resources. Moreover, the schedule serves as a valuable instrument, in order to make justified decisions and to make corrections, ensuring harmonisation with the approved budget system.

## 9. Audited Annual Financial Reports (External Audit)

Within two months of the conclusion of each financial year, the (external) accountant must complete the Organisation's accounts, and submit them without delay to the Organisation's chosen auditor for preparation of the audit report. In turn, the auditor is obliged to submit the audit report to the Board Members within three months. In order to facilitate the efficient preparation of the audit report, the accountant, Board Chair or CEO must submit all of the necessary information and documents to the auditor without delay. This cooperation ensures the timely completion of the audit report. Moreover, in making transparency a priority, the Organisation will publish the annual report on its official website ([www.healthresilience.eu](http://www.healthresilience.eu)) in the section "About us". The purpose of this practice is to make the relevant financial information available to the public, thus reinforcing the Organisation's undertaking to ensure transparency and accountability.

## **10. Reporting to the Donor**

The reporting intervals between the donor and the Organisation are determined by the currently applicable financing agreement. These reports, which include both a descriptive and a financial section, conform to the specifications set out in the annexes and are adapted to the donor's requirements. A detailed overview is provided in the descriptive report of all the activities conducted during the reporting period, while the financial report contains a detailed breakdown of all expenditures that have gradually arisen during the operating term of the agreement. In instances where it may transpire that individual activities are hard to implement as originally planned, or they are not as effective as planned, correction to the financing agreement may be proposed, in order to improve results. However any changes to the implementation of the project require the prior consent of the donor. This also applies to budget item corrections, which are discussed and clarified with the donor before any changes are made. Only after written permission from the donor has been received will Resilience of Health Care Systems commence implementation of the specific budget item. This process ensures transparency, accountability and compliance with the donor's wishes.

## **11. Personnel Administration**

### **11.1. Salary payments**

Salaries are paid by Resilience of Health Care Systems in euros before the end of each subsequent month. Taxes are withheld in accordance with the legislative acts and laws in force in the Republic of Latvia. Afterwards, these salaries are transferred to the relevant employees' bank accounts, as stipulated in the agreement with each employee. The Organisation undertakes responsibility for the payment of all applicable taxes in accordance with the legislative acts of the Republic of Latvia, ensuring conformity to the budget and compliance with legislative acts.

### **11.2. Experts and consultants**

In the event that external experts or consultants have been hired for the performance of specific activities related to the agreement, Resilience of Health Care Systems concludes an agreement with the consultant regarding the fee or royalty. The following important information is included in the agreement:

- the fee to be paid to the consultant;
- the consultant's address;
- the consultant's profession;
- the donor and the project for which the fee has been awarded;
- the deadline by which the job assignment must be carried out;
- the amount to be paid to the consultant;
- budget item;
- a description of the activity detailing the job to be performed by the consultant.

The fee agreement and royalty agreement is an official document, which is signed by the authorised signatory representing Resilience of Health Care Systems and the consultant. The agreement signing date is registered, ensuring the isolation of expenditures, eligibility in the project budget and documentation regarding the conditions that the parties involved have agreed upon. This process forms a transparent and legally binding system for hiring external consultants and determining compensation for their services.