

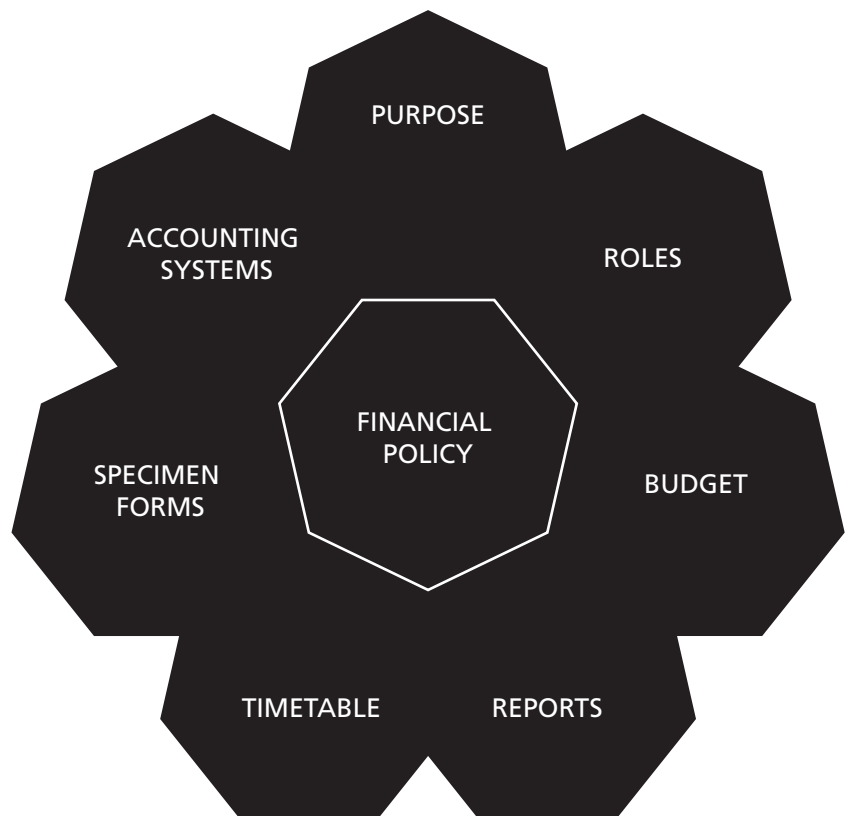
# Chapter 4: Managing finances

## 4.1 OUTLINE OF CHAPTER

This chapter provides guidance on how to develop a **financial procedures policy**. Applying such a policy will ensure the good financial management and accounting practice that are essential for the organisation's success.

The guidance falls under seven main headings (see diagram) which can also serve as the section headings for the policy document. Samples of the forms to be used under the policy are given in the appendices.

### ELEMENTS OF A FINANCIAL PROCEDURES POLICY DOCUMENT



## 4.2 PURPOSE

The financial procedures policy is critical for any organisation because it lays down procedures to ensure that the organisation's resources (both financial and material) are put to their proper use. It is important that this policy is well understood by staff and members of the governing body, because they are all responsible for good management of resources.

Normally the governing body members and the Executive Director play the key roles in developing such a policy, but it may be useful to involve other members of staff, in particular those with responsibility for finance.

It is advisable to have a single, comprehensive policy document dealing with financial management and accounting procedures, rather than a series of separate ones. It will be easier to monitor its implementation and to update it.

The policy document will outline the financial management procedures of the organisation and specify the roles and responsibilities of staff and governing body members. It is common to state in the document itself that it cannot be changed without the formal approval of the governing body.

Before embarking on the details of the policy it is useful to start with a discussion about the purposes it will serve. A summary of the conclusions reached might then form the **preamble** of the document, as in the example presented below.

### **EXAMPLE: PURPOSE OF FINANCIAL POLICY**

**Through rigorous adherence to the financial procedures outlined in the policy document the organisation will be able to ensure the following:**

- The governing body will be able to show both funders and beneficiaries that the organisation's assets are safe, because it will be able to show that checks and controls have been implemented.
- The organisation and its reputation will be protected against financial mismanagement by staff or governing body members.
- The interests of the beneficiaries of the organisation, its employees and the governing body will be protected.
- The relationship between the members of the governing body and the staff in financial matters and their respective roles and responsibilities will be clarified.
- There will be an appropriate segregation of responsibilities for the approval and execution of expenditure.
- Financial decisions will be given appropriate consideration before they are taken.
- The relevant accounting regulations, standards and legal requirements will be complied with.

### 4.3 ROLES AND RESPONSIBILITIES

The first thing to do when setting up an accounting system is to decide who is responsible for what in terms of financial management. It is very important that financial responsibilities are shared and clearly demarcated.

**One of the most important principles of sound accounting management is that all financial transactions should be prepared by one person and reviewed by another.**

The segregation of responsibilities means ensuring that the person nominated to make payments by cash or cheque should not be a cheque signatory, or be responsible for petty cash.

**For example**, the person responsible for authorising the payment of salaries (Executive Director) should not be the person who actually makes these payments (Finance Officer). The person responsible for signing a cheque for a petty cash top-up (Finance Officer) should not be the person responsible for making payments out of the petty cash (the Administrator).

The purpose of segregating responsibility in this way is to ensure that **checks and balances** are built into the system regardless of how few or many staff an organisation employs.

The next question to consider is the role of the governing body and trustees in financial management, because the governing body has ultimate responsibility for ensuring that all the assets and finances of the organisation are properly managed and that staff, including the Executive Director, are fully accountable to it. The **basic accounting principles** should be outlined in the governing document (see Chapter 2: Organisational governance). In addition, some governing bodies nominate or select a trustee to act on their behalf as **Treasurer**.

It is particularly important to have clear lines of responsibility at the most senior levels of the organisation, but all employees share responsibility for ensuring that finances are secure. Below is some guidance about how these responsibilities could be defined in a financial procedures policy document. Some organisations also include the contents of the 'responsibilities of staff' paragraph in all their employment contracts (see Chapter 5: Managing people).

### **EXAMPLES: KEY FINANCIAL RESPONSIBILITIES**

#### **Responsibilities of governing body trustees**

The trustees hold the organisation's assets in trust for the beneficiaries and funders and are responsible for ensuring that they are used to achieve the aims for which the organisation was established. Trustees are duty bound to ensure that proper account books and records are kept, that annual reports and accounts are prepared, and that these conform to any relevant local legislation.

It is the responsibility of the trustees and all staff to ensure that the organisation's financial systems and procedures are adhered to at all times and to report any discrepancies immediately: in the case of staff, to their line manager, and in the case of the Executive Director or trustees, to the governing body.

#### **Responsibilities of the Executive Director**

It is the responsibility of the Executive Director to ensure that all financial systems and procedures specified in the policy document are in place and that the staff adhere to them, to report any discrepancies in a timely fashion to the Chair or Treasurer, and to take the appropriate disciplinary action against staff found to be in breach. The Executive Director will rely on the assistance of the accountant to ensure the smooth financial operation of the organisation on a day-to-day basis.

#### **Responsibilities of staff**

Before committing the organisation to any expenditure for goods or services or to any financial liability, an employee must be satisfied that he or she has the necessary authority. A breach of the organisation's financial policies and procedures could be considered serious misconduct and could lead to disciplinary action.

It is also important to outline clearly the more specific responsibilities of those charged with managing the organisation's finances. The boxes below give examples.

**EXAMPLES: SPECIFIC RESPONSIBILITIES****The Chair or Treasurer**

- oversees and monitors adherence to the financial procedures set out in this policy document
- provides advice and support to the Executive Director and governing body on financial management issues
- represents the governing body on issues relating to the sound financial management of the organisation
- liaises with the appointed auditor and presents audited annual accounts to the Annual General Meeting.

**Trustees**

- approve financial systems, procedures and management
- approve annual budget and annual audited accounts
- monitor income and expenditure
- implement policy on loans, investments and reserves
- approve arrangements for insurance and risk management
- approve all salaries, new posts, appointments
- authorise all the organisation's bank accounts and their signatories.

**The Executive Director**

- presents accurate, timely and high quality financial information and reports to the governing body
- formulates the annual budget
- monitors financial outcomes against the budgets on a monthly basis and takes appropriate action
- facilitates the annual audit
- reports annually to the governing body on a competitive quotation process for all annual contracts for goods, services, insurance, etc
- ensures that all staff adhere to the financial procedures outlined in the financial procedures policy document
- authorises petty cash top-ups against expenditure documented by the Office Manager
- keeps abreast of any changes in financial legislation and regulations affecting the organisation
- directs and coordinates financial strategies and plans, linking these to the annual work plan
- ensures adequate insurance to cover assets and liabilities
- checks records of incoming cheques and cash against bank statements
- banks incoming receipts at least weekly
- keeps the cheque book in an appropriate, secure and safe place.

**Finance Officer**

- records all incoming cheques and cash and ensures the security of these until they are banked
- maintains an up-to-date record of all assets and regularly checks that these are secure and well maintained
- prepares expenditure documentation for appropriate authorisation (see procedures)
- checks orders received against invoices and keeps records of orders placed but not yet received
- manages petty cash float, subject to cash count and checks by the Executive Director whenever a top-up is requested
- keeps the assets registers.

These responsibilities should be reflected in the terms of reference of the governing body (see Chapter 2) and in the individual job descriptions of staff (see Chapter 5). If the organisation employs an accountant, then some of the responsibilities of the Executive Director outlined above may be delegated to this post-holder.

#### 4.4 ACCOUNTING SYSTEMS

The third part of the financial procedures policy document will outline the organisation's systems and procedures for ensuring robust financial management. Below is a checklist of questions to consider when framing this.

##### CHECKLIST: KEY DECISIONS TO TAKE

- |                    |   |
|--------------------|---|
| <b>FRAUD</b>       | <ul style="list-style-type: none"> <li>• How will the organisation deal with cases of possible fraud?</li> <li>• To whom will staff report cases of suspected fraud?</li> <li>• What action will be taken if a member of staff is found to have been involved in fraud?</li> </ul>  |
| <b>SYSTEMS</b>     | <ul style="list-style-type: none"> <li>• Will the organisation use a computer accounts system or a manual system (specify details)?</li> </ul>  |
| <b>BANKING</b>     | <ul style="list-style-type: none"> <li>• How will the organisation organise and manage its bank accounts?               <ul style="list-style-type: none"> <li>◦ Current account details</li> <li>◦ Minimum requirements for cheque signatories</li> </ul> </li> <li>• How will the organisation ensure that the bank accounts are secure?</li> </ul> |
| <b>CASH POLICY</b> | <ul style="list-style-type: none"> <li>• How will cash transactions be managed?</li> </ul>  |
| <b>ASSETS</b>      | <ul style="list-style-type: none"> <li>• How will fixed and consumable assets be managed?</li> </ul>  |
| <b>VEHICLES</b>    | <ul style="list-style-type: none"> <li>• How will the organisation ensure that its vehicles are used and maintained appropriately?</li> </ul>   |
| <b>STAFF</b>       | <ul style="list-style-type: none"> <li>• How will staff expenses and entitlements be managed?</li> <li>• What is the staff salary structure?</li> <li>• What expenses or other entitlements are staff, governing body members, volunteers entitled to?</li> </ul>   |
| <b>PURCHASING</b>  | <ul style="list-style-type: none"> <li>• How will the organisation manage purchasing and procurement for office and project items?</li> </ul>   |
| <b>INSURANCE</b>   | <ul style="list-style-type: none"> <li>• What type of insurance is needed (what does the law require) for staff, premises, assets and vehicles?</li> </ul>  |

#### 4.4.1 POLICY ON FRAUD

All governing body members and staff employed by the organisation have a **duty** to ensure that they safeguard its financial assets. For this reason it is important to have a clear policy spelling out what action will be taken in the case of **suspected fraud** and the lines of authority that have been established for dealing with such cases.

As soon as a staff member has any suspicion of fraud in any area of the organisation's work, he or she needs to know to whom to report it. Usually the policy will specify that such concerns should be taken, in the first instance, to the Executive Director who in turn will report to the governing body, including the Chair and/or Treasurer. However, concerns relating to the financial conduct of the Executive Director or that of a trustee are usually taken directly and explicitly to the Chair of the governing body.

In any circumstance where fraud is suspected or discovered, the policy document must specify that prompt **legal action** will be taken and that fraud is sufficient grounds for the **dismissal** on the grounds of **gross misconduct** of a staff member (see Chapter 5: Managing people). These provisions can provide an important deterrent.

#### 4.4.2 SYSTEMS OVERVIEW

It is also important to specify in full in the policy document how the organisation will record its financial transactions, including petty cash. Some organisations will keep **manual records** of their transactions; others will use a **computerised accounts system**.

Under the manual system a separate **bank book** must be maintained for each bank account, as well as a **cash book** for the main cash float. These books are usually referred to as ledgers.

Two different systems can be used: a **single entry ledger system** or a **double entry ledger system**. (See Appendices 1 and 2 for examples of these.) However, these should NOT be treated as forms because loose pieces of paper can easily be lost. The format should be used in the books of account (for bank and cash) or on a computerised system.

Generally speaking, very small organisations can use a single entry system easily, but once their accounts become more complex it is best to start using the double entry system. It is advisable for an organisation to use a double entry system if it makes more than about 20 payments a month because it shows more specifically how the money was spent and facilitates monitoring. Basically, the double entry ledger is a more sophisticated way of recording income and expenditure by entering each transaction twice (ie double entry) to make it easier to check how much has been spent against each budget heading.

In the double entry system payments and receipts are detailed in date order with receipts on the left and payments on the right. Each transaction must be supported by a receipt or payment voucher. The reference number must be recorded on the form. Cheque numbers must also be recorded. The relevant budget head or account code must be entered against each transaction.

**A single entry ledger system** must include:

- the **date** of the transaction
- a **description** of how the money was spent or received
- a **voucher number**
- an '**amount in**' or '**amount out**' column representing income or expenditure
- the **current balance**, calculated by simply adding or subtracting the total from the previous current balance. At the beginning of each new page, the balance carried forward is entered from the bottom of the previous page.

- In the **double entry ledger system** the current balance is calculated by subtracting total expenditure from total income.
- The **budget codes** are entered across the top of the ledger: budget subheadings can be included under each main heading as desired.
- As with the single entry ledger system, each transaction is entered in the 'amount' column but **income** is listed separately in the column on the left and **expenditure** in the column on the right.
- After the amount has been entered in the appropriate column it is entered again under the appropriate **budget heading** or subheading. This means that at the month end, it is easy to calculate how much has been spent under each budget heading.

#### 4.4.3 BANKING REQUIREMENTS

Although many local NGOs do not have bank accounts when they begin operations, it is essential to ensure that such an account is opened at the earliest opportunity (where possible). As many of the organisation's financial transactions as is realistic should take place through the bank account rather than through cash transactions. It is much easier to monitor bank transactions and a bank is the safest place in which to keep funds.

The policy document will need to specify the full details of any bank accounts held in the name of the organisation.

#### **CURRENT ACCOUNT DETAILS**

**Account type:**

**Name and address of bank:**

**Account name and number:**



### Cheque signatories

It is good practice to require that all cheques are signed jointly by at least two of the named signatories and to specify that for cheques over X amount one of the signatories must be the Chair or Treasurer of the governing body.

Indeed, it is prudent to specify that any cheque above X amount must be approved by the governing body at one of its routine committee meetings. This will ensure that no cheques for large amounts of money are cashed without full knowledge and authorisation.

It is essential to spell out clearly the minimum sums for which different signatories are empowered to sign cheques and who these signatories must be, as outlined in the example below.

#### EXAMPLE: CHEQUE SIGNATORY REQUIREMENTS

Up to maximum sum of X	Executive Director
From X to Y sum	Executive Director <b>and</b> named governing body signatory or two governing body signatories
Above Y sum	Governing body signatory <b>and</b> Treasurer or Chair of governing body

See Appendix 3 for an example of an authorised signatories list.

In addition to clearly specifying cheque signatory requirements for different levels of payment, it is essential to have clear procedures to guide the signatories as shown in the box below.

#### PROCEDURES: CHEQUES

- All cheque payments will be summarised quarterly and made available for inspection by the governing body.
- Cheques made payable to an account signatory must not be signed by that signatory.
- All cheque expenditures will be recorded on the accounts system and cross referenced to a cheque number, with the nature of the payment clearly identified.
- All cheque book stubs will be completed at the time of payment and retained according to the auditors' requirements.
- No cheques will be signed without the corresponding invoice, or other documentary evidence of the nature of the payment.
- Blank cheques must never be signed.
- An individual must be in the formal employment of the organisation or elected to the governing body as a trustee for a minimum of three months before becoming a signatory. The governing body will make any necessary arrangements to cover signatory responsibilities during the initial stages of employment or trusteeship.

It is also important to think clearly about practical issues such as the logistics involved in meeting the minimum requirements for signatories.

**For example**, if the Chair of your governing body lives far away from the office, it might be better to have the Treasurer who lives nearby as a named signatory of cheques above X amount.

However, if the governing body meets regularly it should be possible for larger cheques to be signed before or after the committee meetings, provided that this is planned ahead of time.

### Bank security

The policy document should specify the procedures to ensure that all funds kept in the bank are secure at all times, as outlined in the box below.

#### EXAMPLE: BANK SECURITY RULES

- The number of bank accounts must be kept to a minimum.
- Arrangements must be made with the bank to confirm payments over a given amount before they are cleared.
- Bank transfers must be made only by cheque and not by letter, fax, email, telephone or internet.
- All bank documentation, such as examples of the signatories' signatures, must be kept in a secure file together with other financial records.
- It is advisable to ensure that any bank accounts are in the name of the organisation rather than in the names of individuals.
- Two members of the governing body (including the Chair or Treasurer) must authorise the opening and closing of every bank account.

Any **deposits** of either cash or cheques into the bank must be authorised and recorded. (See Appendices 4 and 5 for suggested formats for recording deposits.)

#### 4.4.4 CASH POLICY

The governing body should decide in principle the **ceiling** on the amount of petty cash to be maintained in the office at any one time. This amount should be specified in the financial procedures policy document. It is the responsibility of the Executive Director to ensure that these limits are adhered to. Petty cash float levels will usually be enough to last a week. The amount of the petty cash float is best fixed. When it falls below a certain level it must be topped up from the bank, to restore it to its original level.

When the petty cash float becomes low, a **petty cash top-up request form** (see Appendix 6) must be completed by the Finance Officer and authorised by the Executive Director. The same person cannot prepare *and* authorise a petty cash top-up request form.

It is also advisable to set some **authorised expenditure limits** on petty cash (see Appendix 7 for a specimen form). These need to be understood by everyone on the staff team and kept on file as a record.

### Cash floats

For salary advances and operating or travel floats, it is essential to ensure at minimum that:

- An up to date float register is kept.
- Limits are set on the size of a salary advance or cash float.
- Authorisation procedures are clearly defined.
- All staff members understand clearly the method of repayment or, in the case of salary advances, deduction.
- Receipts or a receipt book are used to back all transactions.

A float is an amount of cash given to an individual to cover expenditure while away from the office or to purchase items that cannot be paid for by cheque. It is important to ensure that all floats given out are properly accounted for. To do this, a **float register** must be maintained (see Appendix 8). The left-hand side of the register records the floats given out. The right-hand side lists floats returned and expenditure accounted for. The final column shows the value of floats outstanding.

The register is simply a means to ensure that all floats have been accounted for. The floats also need to be recorded in the accounts. The payment of the float must be coded to personal floats on the expenditure side of the cash or bank book. When the residual float is returned with receipts, the total value of the float is cancelled by showing the full amount of the float on the income side of the cash or bank book. The expenditure is shown on the payments side, coded to the relevant accounts.

Inevitably there will be circumstances when it is necessary and prudent for an organisation to provide a member of staff with a cash advance for which there is no supporting documentation. In addition to salary advances, which are recorded on the salary sheet (see 4.4.7 below), it can be helpful to have a page at the back of the cash book that records the amount of any advance taken. The person receiving the advance should sign for it, and no new advances can be given to the same individual until the last one has been cleared. Cash advances are not encouraged, and the normal procedure for cash disbursement should be used whenever possible.

### Surprise cash count

To ensure that petty cash is being managed properly, it is a good idea for the Treasurer to undertake a surprise cash count periodically. The Executive Director should also do this from time to time. This may be done using the cash count form (see Appendix 9) which is also used for the month end accounts (see 4.6 below).

Whoever is carrying out the count asks the Finance Officer for the current balance as stated in the cash book and enters this at the top of the form. A physical count of all the petty cash in the safe or cash box is then done and entered by denomination on the form. If the cash balance does not match the cash balance in the accounts, the reasons for this need to be explained on the form.

The example below outlines some best practice guidelines for petty cash management.

**EXAMPLE: CASH MANAGEMENT GUIDELINES**

- No more than [specified amount] will be held as a petty cash float in a locked cash box at any one time. This will be managed by [named person who should NOT be a cheque signatory].
- All cash payments will be made from the petty cash float, not by the retention of incoming money.
- All claims from the petty cash float will be backed up by supporting documented evidence, which is authorised by someone other than the claimant.
- Petty cash top-up requests must be made by the person with responsibility for petty cash, showing that expenditure has reached a level where funds need to be replenished to the value requested. A cheque signatory [or signatories] will check and approve the receipts and then sign the cheque.
- Cheque, rather than petty cash, payments must be made wherever possible for goods or services over the value of [specified amount].
- The balance of petty cash kept in the office will be monitored periodically by the Executive Director or Treasurer.

**4.4.5 FIXED AND CONSUMABLE ASSETS**

The difference between consumable and fixed assets is defined in the box below.

**CONSUMABLE ASSETS**

- Items that get used up over time such as rent, insurance, stationery, paper and other supplies

**FIXED ASSETS**

- Office equipment, office furniture, personal computers, laptop computers, printers, photocopier, motor vehicles

Some organisations will need to account for the assets they have in the office or for office use and those which are donated or loaned to projects. Different registers should be kept for each as follows:

- Register A: fixed assets
- Register B: consumable assets
- Register C: assets purchased for a project
- Register D: assets of a finished project.

Specimens of these registers are appended (see Appendices 10-13). In managing and accounting for assets the following example sets out the minimum standards of good practice.

**EXAMPLE: FIXED ASSET MANAGEMENT POLICY****Registration**

All fixed assets with a purchase price over a specified amount must be registered by the [eg Office Manager] in a register and a copy of the purchase invoice must be kept with the register. The register must be updated monthly to include newly purchased assets.

**Physical audit**

Identification of fixed assets must be undertaken under the supervision of the Treasurer or Chair of the governing body in the following circumstances:

- in the month before the end of the financial year
- during an audit visit
- during the handover of the Executive Director to a successor.

**Lost or stolen items**

The Chair or Treasurer of the governing body must be advised of any lost or stolen items. **Theft is a disciplinary offence.**

**Depreciation**

Depreciation is set at a level of three years for computers and printers, 10 years for office furniture and five years for vehicles. Depreciation will be calculated when end of year accounts are prepared and as advised by the auditor.

**Disposal**

Where an asset is no longer required its sale or disposal must be authorised by the Chair or the Treasurer of the governing body.

**Retained assets**

Assets held beyond the write-off period must be retained on the register and given a nominal value.

**Private use** of the organisation's computers or photocopier is permitted in special cases, as determined by the Executive Director. The staff member bears the full actual cost. Should a movable asset be damaged or lost while in the care of an employee for private use, the organisation may ask the employee to bear the full cost of repair or replacement.

Most of the procedures for managing consumable assets will be very similar to those for fixed assets.

### **EXAMPLE: MANAGEMENT OF CONSUMABLE ASSETS**

#### **Registration**

All items with a purchase price over a specified amount must be entered in a register. This will be kept by the Office Manager [or other specified post holder] and updated monthly.

#### **Physical audit**

As for fixed assets (see box above).

**Depreciation** is not applied to consumable items.

**Disposal** must be authorised by the Executive Director and reported to the governing body at its next meeting.

#### **Private use**

As for fixed assets (see box above).

#### **An inventory statement**

In addition to the assets, organisations will have **expendable** and **non-expendable** supplies. Expendable supplies are similar to consumable assets but not of high value (valued below a specified amount and therefore not included in the register of consumable assets). Non-expendable supplies are similar to fixed assets but of less financial worth, for example filing in-trays for the office or wheelbarrows and hoes for a project. As these items will not be covered by assets policy, an inventory statement is necessary. This should cover the following areas:

- How does the organisation register expendable and non-expendable supplies?
- Who can use which supplies and under whose authority?
- How are the supplies monitored?
- What action will be taken when supplies are damaged or lost?

#### **4.4.6 MANAGING VEHICLES**

A vehicle is one of the most costly fixed assets that an organisation has and must, therefore, be carefully managed. The box below raises some key questions to guide discussion and decision making about vehicle management.

### VEHICLE MANAGEMENT

- Who must authorise the use of vehicles?
- For what purposes can an NGO vehicle be used? For example, is personal use by staff permitted?
- Who is permitted to drive the vehicle? Are partner organisations and other people who are not employed by the organisation permitted to use the vehicle and under what conditions? Whose approval is needed?
- What documents related to the vehicle must be kept (eg vehicle logbook)? Who is responsible for keeping them secure and what information must they include?
- Who is responsible for making sure that the vehicle is roadworthy and serviced regularly? Does the office use one registered garage?
- Where must the vehicle be parked out of office hours?
- What rules are there to ensure road safety (for example, observing certain speed limits, wearing safety belts, not driving after dusk or before dawn except in exceptional circumstances)?
- Who is responsible for ensuring that the appropriate vehicle insurance cover is in place?

The points outlined in the example below are standard rules used by most organisations for management of vehicles.

### EXAMPLE: VEHICLE MANAGEMENT GUIDELINES

- The Administrator coordinates vehicle use according to the guidelines that the organisation has established for use and authorisation.
- The driver keeps a **vehicle logbook** to provide a full record of where the vehicle went, how long it took, what the distance was, and how much fuel and oil has been purchased and used. The passenger must sign the vehicle logbook after each trip.
- The unauthorised use of vehicles is a disciplinary issue.
- A **vehicle control white/blackboard** will record where the vehicle is, how long it will be away from the office, and the names of the driver and passengers.
- The Finance Officer [or another senior member of staff] must check the vehicle logbook weekly.
- Staff authorised to use the vehicle for personal reasons must pay X for each kilometre driven.
- Seatbelts must be worn at all times and on all journeys.
- Speed limits must be observed at all times [specify appropriate limits, eg for tarmac roads and non-tarmac roads].
- The Finance Officer must ensure that the vehicle is properly insured, serviced and maintained, and that health and safety rules are observed. Any discrepancies must be reported to the Executive Director who will also carry out spot checks on documentation concerning the vehicle, including bills for servicing.
- In the event of a road accident the details must be reported in full and immediately to the Executive Director.

#### 4.4.7 STAFF SALARIES

A significant component of monthly expenditure is likely to be for staff salaries. It is thus important that these transactions are carefully managed according to best practice procedures understood by all members of staff. The example below outlines some of these.

##### **EXAMPLE: MANAGING STAFF SALARIES**

- Personnel records for all staff members should be kept separately from pay records and checks will be made against them from time to time by the Chair of the governing body to ensure that there are no 'fictitious' employees.
- All staff salary levels and grades should be approved by the governing body. Any re-grading of posts or changes to salaries must also be approved by this body, including annual incremental increases at the beginning of each new financial year.
- Where possible all salary payments should be made by bank transfer. No advances on salary or other loans can be made unless specifically authorised by the governing body.
- Cash salary payments may be necessary in some locations, and must be signed for by the staff member.
- All tax should be deducted at source and paid directly to the authorities by cheque.

In addition, a **salary sheet** should be prepared monthly to show how the salaries paid were calculated (see Appendix 14). The net pay figures on these must agree with the figures for salaries paid, as shown in the relevant cash or bank books. Any salary deductions must be recorded on the salary sheet, including any advances paid to staff during the month. These will be deducted when calculating net pay.



#### 4.4.8 STAFF EXPENSES AND ENTITLEMENTS

Staff may incur expenses when undertaking official work for the organisation, especially when this requires travel away from the office. Normally staff who are authorised to travel for the organisation will be given a cash travel float for which they must sign. However, clear **limits** need to be set on how much can be legitimately claimed from the organisation and staff should understand that if they exceed these limits they will have to reimburse the organisation from their salary. In addition, most organisations have some rules to govern the personal use of the organisation's telephone and computers, etc.

The example below provides some guidance on how to manage staff expenses and other entitlements.

##### EXAMPLE: STAFF EXPENSES AND ENTITLEMENTS

- The line manager should ensure that costs incurred by staff in carrying out their duties for the organisation are essential. **Reimbursement** will be of the actual amount and not rounded up. Payment of expense claims can only be made to a staff member who provides the necessary receipts. [Some organisations find it easier simply to give staff who are travelling on official business a daily allowance for which they are not required to provide receipts.]
- All staff travel and subsistence expense claims must be **approved** by the line manager whose expenses will be approved by the Executive Director. The travel and subsistence claims of the Executive Director will be monitored by the Chair or Treasurer of the governing body.
- Staff who are out of the office on official business, approved by their line manager, are **entitled to claim** for non-alcoholic beverages and meals. If the absence is for a period of more than four hours they are entitled to claim up to a maximum of [specified amount] and for periods of more than seven hours the maximum value of the claim can be [specified amount]. For field trips requiring overnight stays away from the office, the maximum amount that can be claimed in expenses for a day is [specified amount] plus up to a maximum of [specified amount] a night for accommodation.
- Unless authorised to do so by their line manager, staff are not permitted to use the office **telephone** for personal telephone, fax or internet calls. If they use the office telephone with authorisation, they must reimburse the costs of any calls made.

#### 4.4.9 PURCHASING

Procedures for purchasing are needed to ensure that the organisation's financial resources are always used for the correct purpose and that purchases made are for goods and services that provide the best value possible.

**Quotations** from different suppliers of goods and services over a set price limit should always be requested (see quotation request form, Appendix 15). These are then compared for competitiveness (see summary bid analysis form, Appendix 16). Before any supplies (above a specified cost) are purchased a supplies requisition form (Appendix 17) should be filled in and authorised. Once this has been approved a purchase order form should be completed (Appendix 18). Once the goods have been received a confirmation of goods received form should be filled in (Appendix 19).

#### EXAMPLE: PURCHASING PROCEDURES

- All anticipated expenditure must be authorised through an **annual purchasing plan**, prepared by the Executive Director at the same time as the budget and approved by the governing body as part of the annual business planning and budget process.
- Expenditure must be authorised at the **requisition** stage, not after receipt of goods or services. Before any purchases or orders over [specified amount] are made, a **purchase order form** must be filled out.
- Purchases or orders of between the sums of [specified amounts A and B] must be **authorised** by either the Executive Director or Accountant; those between [C and D] must be authorised by the Executive Director; those between [E and F] by one trustee signatory and those over [G] by two trustee signatories (one of whom must be the Treasurer).
- Purchases of **regular supplies or services** are made from preferred suppliers only on the following basis:
  - Their prices are competitive.
  - Their products or services are of good quality.
  - The NGO has a transparent relationship with suppliers and providers.
  - A comparative review of competitiveness (including reliability, etc) is undertaken by the Executive Director and approved by the governing body annually.
- In the case of purchases over [specified amount] the Accountant or Office Manager must ask for quotations from at least **three potential suppliers**. The Executive Director will then sign for and approve the selected quotation.
- All purchase transactions must be entered into the accounts and **secure records** kept by the Accountant and Executive Director.
- All outgoing **invoices** for the organisation must be drawn up by the Executive Director or the Accountant and copies must be kept on file.

#### 4.4.10 INSURANCE

It is usual for the trustees to approve any necessary arrangements for insurance annually on the basis of a competitive quotation process. The Executive Director is then responsible for managing any insurance policies. The organisation may be required to hold the following insurance and, if so, the insured amounts should be reviewed annually: office contents insurance, public liability, employer's liability, trustees' liability, vehicles. It is important to check employer's liability.

#### 4.4.11 RECEIVING INCOME

An organisation will receive various types of income (for example, grants from funding bodies, donations, membership dues, repayment of travel floats or salary advances, etc). All income, whether by cheque or in cash, must be recorded on a pre-numbered, duplicate **receipt voucher** (see Appendix 20 for an example) which must be completed with the following information:

- the date
- the name of the person or organisation paying in the money (cash or cheque)
- explanation of why the income is being received
- the amount received
- the budget code to be credited
- whether the income is in the form of cash or a cheque.

Any relevant documents must be attached to the receipt voucher. The voucher is then signed by the person giving the money and the Accountant to say that the money has been received. The top copy of the voucher is kept by the person giving the money, as a receipt, and the second copy filed as the organisation's record. It is best if this information is recorded in a sequentially printed book of receipts with counterfoils. The details from the voucher must be summarised on the receipts side of the appropriate bank or cash book. The income must be received into the bank account.

### 4.5 THE BUDGET

As seen in Chapter 3 (Strategic planning), the annual budget is best developed from the annual team work plan which is closely related to the strategic plan.

#### What is a budget?

A budget is:

- *a plan for the coming year*
- *a financial statement showing the organisation's activities*
- *a forecast for the year showing areas of under-funding or weakness*
- *a management tool for monitoring income and expenditure*
- *a tool to aid fundraising.*

A budget should usually be developed according to the NGO's financial year (annually). It is best to have one organisational budget that covers all the activities outlined in the annual team work plan.

### How to develop an annual budget

Every financial year proper and realistic estimates of the NGO's income and expenditure will be made by the Executive Director with support from the Treasurer and Finance Committee and presented to the trustees. Some budgetary work is delegated, but final approval and authority lies with the Trustees. Trustees and staff have a duty to seek best value from the expenditure of the organisation.

As with strategic planning, preparing an annual budget requires thought and analysis, although probably less consultation and dialogue, if it is to reflect adequately the organisation's financial needs for the year ahead. It is helpful to refer to certain **documents** when undertaking the budget analysis and forecasting, as outlined in the box below.

#### TIPS: WHAT TO LOOK FOR

- In Chapter 3 it was recommended that organisations cost their five-year strategic plan. If this has been done, the costing and projections should be referred to closely when developing the more detailed and comprehensive annual budget for the organisation.
- It also helps to scrutinise expenditure against the previous year's budget: look for any areas of overspend or underspend, and analyse the reasons for this carefully, to assess whether these items were wrongly budgeted in the first place or whether they were over- or underspent because of unanticipated changes in programme activities, office or management costs.
- Look at the organisation's annual team work plan and attempt to cost, as precisely as possible, the expenditure likely to come from its implementation (ie the activities planned). Look particularly at any planned changes in programme activities (for example direct grants to projects or partner organisations, workshops, staffing, office equipment and supplies) that will have implications for the year's expenditure.
- Analyse the known and anticipated income for the coming year in terms of the sums agreed or pledged by funding agencies and any other monies expected from donations, membership fees, or income generating activities.
- Obtain estimates for any new items in the budget or for costs that may have increased since the previous year.

The basic steps for developing a budget once this analysis has been completed are outlined in the box below.

## DRAWING UP THE BUDGET

- 1 Define** the parameters. What period will the budget cover (eg April 1-March 31)? What currency will be used?
- 2 Identify** all direct expenses, indirect expenses and sources of income for the budget (but not yet their amounts). Divide them into the following categories and subcategories:
  - **direct expenses** (project staff salaries, project equipment and materials, project expendable supplies, and other project direct expenses)
  - **indirect expenses** (salaries, office equipment and materials, office supplies, and other indirect expenses)
  - **income** (include all sources, including membership fees, donations, grants from funding agencies, service contracts).
- 3 Code** the items listed in Step 2. There are many ways to code budget items (eg, see the sample budget, Appendix 21).
- 4 Transfer** the items to the budget itself. Be sure to include:
  - **expenses heading** along the side of the worksheet
    - direct expense subheading
      - code and item titles
      - the actual direct expense items (from step 2)
    - indirect expense heading
      - code and item titles (same as under direct expense)
      - the actual indirect expense items (from step 2)
  - *Line for total expenses*
  - **income heading**
    - actual income items (from step 2)
  - *Line for total income*
- 5 Consolidate the figures.**
  - **Establish** costs for each item based on the budget analysis and estimates.
  - **Calculate** the sums across the rows and down the columns of the worksheet for the expenses.
  - **Transfer** income figures on to the worksheet.
- 6 Calculate** any surplus or deficit. Analyse the results.

For many organisations the first draft of the annual budget will reveal a significant gap between planned expenditure and known or anticipated income. It is important that in the second draft the difference between these two sets of figures is zero. This form of **'zero budgeting'** is by far the safest principle from which to work, but it is likely to mean taking items of expenditure that are lower priorities off the budget, at least until additional income is guaranteed. If the organisation's income base is weak or insecure, it is best to undertake a **budget review and update** quarterly so that, with the approval of the governing body, any new income and hence expenditure can be incorporated. The difference between income and expenditure in the overall budget should always be brought back to zero.

Appendix 21 gives an example of a quarterly budget of a small NGO.

## 4.6 REPORTING AND MONITORING

One of the key factors of organisational success and sustainability is a robust system of financial reporting and monitoring. Without this it is difficult to know what the overall financial position of the organisation is, or how its resources are being used. Also, most funding agencies make such systems a requirement or precondition of their funding. An organisation that fails to monitor and report on its finances will be unlikely to attract the funding it requires.

The finances of an organisation can be monitored and reported in a number of ways. What follows are some **best practice guidelines**.

### Monthly financial return

To achieve minimum best practice standards, the organisation should produce a monthly financial return for the governing body, detailing financial movement in the previous accounting period. A best practice example of the documentation that an organisation could put together to accompany this return is provided below.

#### EXAMPLE: MONTHLY FINANCIAL RETURN

The monthly financial return should include:

- a **checklist** of all the documents attached with the return signed by the Executive Director
- a **narrative report** (maximum one sheet of A4) highlighting all the major variances (for example five per cent over or under budget) and any significant risk factors
- a summary of **expenditure and income** by account
- a **salary** sheet
- a **bank reconciliation** and **cash count sheet**
- a breakdown of **floats** and **loans outstanding**
- fixed asset register **depreciation**.

### Bank reconciliation

A bank reconciliation should be compiled as part of the organisation's monthly accounts. The **balance carried forward** in the bank book is the bank balance from the organisation's perspective. A **bank statement** shows the balance from the bank's perspective. The bank reconciliation compares the two, and identifies why they differ. One reason for discrepancies will be timing differences.

**For example**, cheques written in the last few days of the month will take some time to clear and to show on the bank statements. However, they will already have been entered in the office bank book. Similarly, certain entries such as bank charges will appear on the statements before being entered in the bank book. To reconcile the bank account, it is usual to tick each entry in the bank book against those on the bank statement. Those entries not ticked are the items that need to be reconciled.

See Appendix 22 for an example of a **bank reconciliation sheet**.

### Cash reconciliation

The balance carried forward in the cashbook must agree with the amount of cash in the petty cash box. This must be checked by performing a cash count at the end of the month and completing the **cash count form** (Appendix 9; also used for surprise cash counts – see section 4.4.4 above). Any difference must be explained, and the accounts adjusted accordingly. For example, small differences may arise because of slightly incorrect change. These small differences can be written off to miscellaneous expenses in the cashbook, so that the amount carried forward agrees with the amount in the petty cash box. However, it is advisable to define what is meant by 'small' (specify 'less than X amount').

### Monitoring expenditure against budget

Quarterly reports for submission to the governing body should be compiled to monitor expenditure against budget. See Appendix 23 for a sample **budget against actual spending report**. The most important thing to highlight here is any variance in expenditure against budget: in other words, are there budget lines where the organisation has overspent and, if so, by how much, or by what percentage? This can be seen by checking cumulatively the amount spent against the amount allocated in the budget to each category and subcategory.

Although all accounts relating to projects will be included in the main accounting system, it is important to share this information with direct beneficiaries. This can be done using a **cumulative expenditure project report** format (see Appendix 24).

### Financial auditing

The audit is an extremely important element of financial reporting. In addition to an annual, **external audit** undertaken by a recognised auditor, it is recommended that an **internal organisational systems audit** should be completed at least twice a year. The person conducting the audit should be known to the organisation, but independent of its administration and finances.

To do the audit, the auditor should cover all main headings contained in the checklist below and record what he or she finds. Any errors found should be clearly explained together with a recommendation for corrective action. A first audit can be time-consuming, but subsequent audits are likely to take only a few days. When the auditor is finished, she or he should prepare a report of findings for the governing body with a list of recommendations. The Executive Director, guided by the governing body, is responsible for ensuring that the recommendations are implemented.

#### CHECKLIST: FINANCIAL AUDIT

- Budget
- Procurement
- Segregation of duties
- Cash management
- Cash advances
- Petty cash
- Financial reports
- Bank accounts
- Financial monitoring

More guidance on how to conduct an audit is found in Chapter 7 (Office administration).

## 4.7 FINANCIAL REPORTS: TIMETABLE

It will be for the governing body to decide how it would like the quarterly accounts to be presented.

**For example**, it may specify the following:

- **monthly budget against actual expenditure** report for the previous quarter, comparing expenditure with the same quarter in the previous financial year, if appropriate
- **notes** on the budget against actual expenditure report for the previous quarter, with explanations of any significant **variances**
- a **balance sheet** as at the end of the previous financial quarter.

The box below presents an example of good practice for which financial reports should be produced when and by whom.

### EXAMPLE: FINANCIAL REPORTING TIMETABLE

#### MONTHLY

- **Bank reconciliation** must be completed.
- **Cash reconciliation.** The Executive Director must authorise the petty cash account.
- The Executive Director must conduct a **surprise cash count**.
- The Executive Director must prepare a summary financial report showing any **variances** over five per cent, and will send this to the Treasurer for information and oversight.

#### QUARTERLY

- **Quarterly financial returns** must be prepared by the Executive Director and submitted to the governing body for scrutiny and approval. The financial reports must include a written document explaining variances from the budgeted amounts. These will be presented in a format to be periodically reviewed by the governing body.

#### ANNUALLY

- At the end of each financial year the Executive Director, guided by the Auditor, must prepare consolidated accounts for the past year. These will be considered by the governing body before the annual audit commences.
- The Executive Director, other delegated staff and trustees will participate in any discussions with the Auditor concerning the draft audited accounts.

It is a good idea to develop an annual financial timetable which details the tasks to be completed month by month, and who is responsible for doing what (see example in Appendix 25).



## 4.8 SPECIMEN FORMS

This part of the financial procedures policy document lists forms to be used under the policy, together with specimens of the forms. Below is a suggested list. The specimen forms themselves follow as appendices to the chapter.

### LIST OF SPECIMEN FORMS USED UNDER THE POLICY

- 1** Single entry ledger
- 2** Double entry ledger
- 3** Authorised signatories list: bank cheques
- 4** Bank deposit record: cash
- 5** Bank deposit record: cheques
- 6** Petty cash top-up request form
- 7** Authorised petty cash expenditure limits
- 8** Float register
- 9** Cash count form
- 10** Fixed asset register A
- 11** Consumable asset register B
- 12** Assets purchased for a project: register C
- 13** Assets of a finished project: register D
- 14** Salary sheet
- 15** Quotation request form
- 16** Summary bid analysis form
- 17** Supplies requisition form
- 18** Purchase order
- 19** Confirmation of goods received
- 20** Receipt voucher
- 21** Quarterly budget
- 22** Bank reconciliation
- 23** Budget against actual spending report
- 24** Cumulative expenditure: project report

**APPENDIX 1**

**SINGLE ENTRY LEDGER**

Date	Description	Budget code	Voucher no.	Amount in	Amount out	Balance
1/06/2003	Balance carried forward					
30/06/2003						

APPENDIX 2

<b>DOUBLE ENTRY LEDGER</b>									
<b>INCOME</b>					<b>EXPENDITURE</b>				
Date	Description	Amount	Budget codes		Date	Description	Amount	Budget codes	
1/06/2003	Balance c/f								
30/06/2003	Total income				30/06/2003	Total expenditure			
<b>30 June 2003</b>					<b>Totals</b>				
<b>Total income</b>									
<b>Total expenditure</b>									
<b>Balance c/f</b>									

### APPENDIX 3

#### AUTHORISED SIGNATORIES LIST: BANK

The following people are authorised to sign cheques for the [name of organisation] bank account [name, branch and account number]:

Name	Signature	Maximum cheque amount authorised to sign for	Start date	End date

**Prepared by:**

**Name:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Job title:** \_\_\_\_\_

**Approved by:**

**Name:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Job title:** \_\_\_\_\_

### APPENDIX 4

#### BANK DEPOSIT RECORD: CASH

Number: \_\_\_\_\_

Date: \_\_\_\_\_

Amount of cash deposited:

Denomination	Quantity	Subtotals
<b>TOTAL:</b>		

**Deposited by:**

**Name:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Job title:** \_\_\_\_\_

**Checked by:**

**Name:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Job title:** \_\_\_\_\_

## APPENDIX 5

**BANK DEPOSIT RECORD: CHEQUES**

Number: \_\_\_\_\_

Date: \_\_\_\_\_

Cheques deposited

Cheque number	Received from	Voucher number	Amount
<b>TOTAL:</b>			

**Deposited by:**

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Job title: \_\_\_\_\_

**Checked by:**

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Job title: \_\_\_\_\_

**APPENDIX 6**

<b>PETTY CASH TOP-UP REQUEST FORM</b>			
Reference number	Description	Budget code	Total

Cash reconciliation			Analysis of cash	
Float amount	Minus cash spent	Cash in box		
			<b>TOTAL CASH IN BOX</b>	

<p><b>Prepared by:</b></p> <p><b>Name:</b> _____</p> <p><b>Signature:</b> _____</p> <p><b>Job title:</b> _____</p>	<p><b>Approved by:</b></p> <p><b>Name:</b> _____</p> <p><b>Signature:</b> _____</p> <p><b>Job title:</b> _____</p>
--	--

## APPENDIX 7

**AUTHORISED PETTY CASH EXPENDITURE LIMITS**

The following people are authorised to use petty cash according to the following expenditure limits:

<b>Name</b>	<b>Signature</b>	<b>Maximum amount</b>	<b>Start date</b>	<b>End date</b>
=				

**Prepared by:**

**Name:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Job title:** \_\_\_\_\_

**Approved by:**

**Name:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Job title:** \_\_\_\_\_

APPENDIX 8

**FLOAT REGISTER**

Float out					Balance returned			Expenditure			Outstanding balance	
Date	Payment voucher number	Amount	Description	Name	Signature	Date	Voucher number	Amount	Date	Journal number	Amount	Amount

**Prepared by:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Job title:** \_\_\_\_\_

**Approved by:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Job title:** \_\_\_\_\_



## APPENDIX 9

<b>CASH COUNT FORM</b>			
Currency-----		Month-----	
	Denomination	Number	Subtotals
<b>Notes</b>			
<b>Coins</b>			
<b>Totals</b>			
<b>Cash balance in accounts</b>			
<b>Difference</b>			
<b>Comments</b>			
<b>Prepared by:</b>		<b>Checked by:</b>	
Name: _____		Name: _____	
Signature: _____		Signature: _____	
Job title: _____		Job title: _____	













**APPENDIX 16**

**SUMMARY BID ANALYSIS FORM**

Date: \_\_\_\_\_

Description of item	Quantity	Vendor 1 price	Vendor 2 price	Vendor 3 price	Vendor 4 price	Vendor 5 price	Vendor 6 price

Recommendations \_\_\_\_\_

Contract awarded to: \_\_\_\_\_

**Prepared by:**

**Name:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Job title:** \_\_\_\_\_

**Approved by:**

**Name:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Job title:** \_\_\_\_\_



APPENDIX 17

**SUPPLIES REQUISITION FORM**

Date: \_\_\_\_\_ Budget code \_\_\_\_\_

Item and description	Quantity	Unit price	Total price	Project name

Special instructions:

\_\_\_\_\_  
 \_\_\_\_\_

**Requested by:**

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Job title: \_\_\_\_\_

**Approved by:**

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Job title: \_\_\_\_\_

## APPENDIX 18

### PURCHASE ORDER

Vendor's name: \_\_\_\_\_

Date: \_\_\_\_\_

Please send us the following item(s):

Item	Description	Quantity	Unit price	Total price

<b>Prepared by:</b>	<b>Approved by:</b>
Name: _____	Name: _____
Signature: _____	Signature: _____
Job title: _____	Job title: _____

## APPENDIX 19

**CONFIRMATION OF GOODS RECEIVED**

Name of vendor: \_\_\_\_\_

Date: \_\_\_\_\_

Item	Quantity	Unit price	Total amount	Remarks

Was the bill checked against the purchase order and receiving report?

 Yes No**Received by:****Approved by:**

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Job title: \_\_\_\_\_

Job title: \_\_\_\_\_

## APPENDIX 20

### RECEIPT VOUCHER

Consecutive receipt number: \_\_\_\_\_

Date: \_\_\_\_\_

Amount received and currency \_\_\_\_\_

Received from \_\_\_\_\_ [name of organisation and name of person]

for the payment of \_\_\_\_\_

Budget code \_\_\_\_\_

**Signed:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Received by:**

**Checked by:**

**Name:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Job title:** \_\_\_\_\_

**Job title:** \_\_\_\_\_

## APPENDIX 21 EXAMPLE OF QUARTERLY BUDGET

TIME PERIOD: OCTOBER-DECEMBER 2000		CURRENCY USED: US\$			
Code	Item	October	November	December	Total
	<b>EXPENSES</b>				
<b>1000</b>	<b>Direct expenses</b>				
<b>1100</b>	<b>Salaries</b>				
1101	Project Manager	\$100	\$100	\$100	<b>\$300</b>
1102	Trainer	\$75	\$75	\$75	<b>\$225</b>
1103	Assistant Trainer	\$50	\$50	\$50	<b>\$150</b>
<b>1200</b>	<b>Project materials</b>				
1201	Shovels	\$25	\$25	\$25	<b>\$75</b>
1202	Wheelbarrows	\$50	\$50	\$50	<b>\$150</b>
<b>1300</b>	<b>Expendable supplies</b>				
1301	Seeds	\$30	\$30	\$30	<b>\$90</b>
<b>1400</b>	<b>Other direct expenses</b>				
1401	Transport	\$50	\$50	\$50	<b>\$150</b>
1402	Water for planting trees	\$5	\$5	\$5	<b>\$15</b>
	<b>Subtotal for direct expenses</b>	<b>\$385</b>	<b>\$385</b>	<b>\$385</b>	<b>\$1,155</b>
<b>2000</b>	<b>Indirect expenses</b>				
<b>2100</b>	<b>Salaries</b>				
2101	Executive Director	\$250	\$250	\$250	<b>\$750</b>
2102	Watchman	\$25	\$25	\$25	<b>\$75</b>
2103	Cleaner	\$25	\$25	\$25	<b>\$75</b>
<b>2200</b>	<b>Office equipment and materials</b>				
2201	Computer	\$1,500	0	0	<b>\$1,500</b>
2202	Furniture	0	\$100	0	<b>\$100</b>
2203	Other	\$25	\$25	\$25	<b>\$75</b>
<b>2300</b>	<b>Expendable supplies</b>				
2301	Fuel for vehicle	\$25	\$25	\$25	<b>\$75</b>
2302	Stationery	\$20	\$20	\$20	<b>\$60</b>
<b>2400</b>	<b>Other indirect expenses</b>				
2401	Electricity	\$40	\$40	\$40	<b>\$120</b>
2402	Rent	\$100	\$100	\$100	<b>\$300</b>
2403	Water	\$10	\$10	\$10	<b>\$30</b>
2404	Tea	\$20	\$20	\$20	<b>\$60</b>
2405	Petty cash	\$35	\$35	\$35	<b>\$105</b>
	<b>Subtotal for indirect expenses</b>	<b>\$2,075</b>	<b>\$675</b>	<b>\$575</b>	<b>\$3,325</b>

continued on next page

## APPENDIX 21 cont

	<b>TOTAL EXPENSES</b>	<b>\$2,460</b>	<b>\$1,060</b>	<b>\$960</b>	<b>\$4,480</b>
<b>3000</b>	<b>INCOME</b>				
3001	Ministry of Environment	\$300	\$300	\$300	<b>\$900</b>
3002	Oxfam	\$3,150	\$0	\$0	<b>\$3,150</b>
3003	Local community	\$100	\$100	\$100	<b>\$300</b>
	<b>TOTAL INCOME</b>	<b>\$3,550</b>	<b>\$400</b>	<b>\$400</b>	<b>\$4,350</b>
	<b>BALANCE</b>	<b>\$1,090</b>	<b>-\$660</b>	<b>-\$560</b>	<b>-\$130</b>

## APPENDIX 22 EXAMPLE OF BANK RECONCILIATION

<b>Balance per bank statement as at 30 September 2003</b>	<b>12,654.20</b>
---	------------------

Less: Unpresented cheques at 30/09/03

Cheque No.	Date		
130	22/09/03	200.00	
132	22/09/03	2,070.00	
133	22/09/03	62.50	
135	22/09/03	162.00	
			[-2,494.50]

<b>Total cash available</b>	<b>10,159.70</b>
-----------------------------	------------------

### Bank book summary

Bank book balance at 30 September 2003	10,158.58
--	-----------

Error on Cheque 40	16.29	
Error on Cheque 91	-0.07	
Error on Cheque 97	-4.00	
		[+12.22]

Less: Stamp tax shown on statements

Jan	0.20	
Feb	1.50	
Mar	1.50	
Apr	1.10	
May	1.80	
Jun	0.80	
Jul	0.90	
Aug	1.80	
Sep	1.50	
		[-11.10]

<b>Adjusted bank book balance at 30 September 2003</b>	<b>10,159.70</b>
--	------------------

Prepared by: \_\_\_\_\_ Approved by: \_\_\_\_\_

Signature: \_\_\_\_\_ Signature: \_\_\_\_\_

Job title: \_\_\_\_\_ Job title: \_\_\_\_\_

*NB Having performed the bank reconciliation, the Finance Officer must review it to see which items need investigation, and what action is then needed, including but not limited to, making all relevant ledger entries.*

### APPENDIX 23

## BUDGET AGAINST ACTUAL SPENDING REPORT

TIME PERIOD COVERED-----

CURRENCY USED-----

Code	Item	Actual	Budgeted	Difference	Notes
Expenses					
	<b>TOTAL EXPENSES:</b>				
Income					
	<b>TOTAL INCOME:</b>				
	<b>BALANCE:</b>				

**Prepared by:**

**Approved by:**

**Name:** \_\_\_\_\_ **Name:** \_\_\_\_\_

**Signature:** \_\_\_\_\_ **Signature:** \_\_\_\_\_

**Job title:** \_\_\_\_\_ **Job title:** \_\_\_\_\_

**Date:** \_\_\_\_\_ **Date:** \_\_\_\_\_