

# • Global Peace Let's Talk

FINANCE SYSTEMS

2021



GLOBAL  
PEACE  
LET'S TALK

[GLOBAL PEACE LET'S TALK



**GLOBAL  
PEACE  
LET'S TALK**



# A Practical Policy to our Financial Management

GLOBAL  
PEACE  
LET'S TALK



**GLOBAL  
PEACE  
LET'S TALK**

# Acronyms and Initialisms

**Global Peace Let's Talk**

**Non-Governmental Organisation**

**PAYE Pay-As-You-Earn**

**SSC Social Security Commission**

## Contents

Foreword

<b>1</b>	<b>Introduction to financial management</b> .....	<b>5</b>
<b>2</b>	<b>The accounting system</b> .....	<b>8</b>
2.1	The funding agreement .....	8
2.2	The budget.....	8
2.3	Bank accounts.....	10
2.4	Petty cash .....	10
2.5	Procurement .....	11
2.6	Recording of project activities .....	12
2.7	Payments .....	13
2.8	Bank transactions – cash book .....	14
2.9	Cash transactions – petty cash.....	15
2.10	Monthly summaries of expenses.....	15
2.11	Trial balance .....	15
2.12	Balance sheet and income statement .....	15
2.13	Audited annual financial statements .....	16
<b>3</b>	<b>Reporting to a donor</b> .....	<b>19</b>
<b>4</b>	<b>Staff administration</b> .....	<b>19</b>
4.1	The employment agreement .....	19
4.2	Salary payments .....	20
4.3	Income tax registration of the organisation.....	20
4.4	Income tax registration of employees.....	21
4.5	Social Security Commission .....	21
4.6	The Employee Compensation Act of 1941 .....	21
4.7	Administration of leave .....	21
4.8	Consultants. ....	22

<b>Annexures</b> .....	<b>23</b>
<b>Annex 1: Expense summary</b> .....	<b>24</b>
<b>Annex 2: Reconciliation of donor contribution</b> .....	<b>26</b>
<b>Annex 3: Fixed asset list</b> .....	<b>28</b>
<b>Annex 4: Purchase order</b> .....	<b>30</b>
<b>Annex 5: Attendance register: Grassroots seminars</b> .....	<b>31</b>
<b>Annex 6: Attendance register: Workshops</b> .....	<b>32</b>
<b>Annex 7: Travel claim form</b> .....	<b>33</b>
<b>Annex 8: Daily allowance claim form</b> .....	<b>34</b>
<b>Annex 9: Financial report: Workshop</b> .....	<b>35</b>
<b>Annex 10: Confirmation of goods purchased</b> .....	<b>36</b>
<b>Annex 11: E-bank requisition.</b> .....	<b>37</b>
<b>Annex 12: Cheque requisition</b> .....	<b>38</b>
<b>Annex 13: Petty cash requisition</b> .....	<b>39</b>
<b>Annex 14: Petty cash summary</b> .....	<b>40</b>
<b>Annex 15: Trial balance</b> .....	<b>41</b>
<b>Annex 16: Cash book</b> .....	<b>42</b>
<b>Annex 17: Pay slip</b> .....	<b>44</b>
<b>Annex 18: Leave application</b> .....	<b>45</b>
<b>Annex 19: Record of leave</b> .....	<b>46</b>
<b>Annex 20: Honoraria agreement</b> .....	<b>48</b>
<b>Annex 21: Case study</b> .....	<b>49</b>
<b>Bibliography</b> .....	<b>68</b>



## 1 Introduction to the Global Peace Let's Talk financial management

Leaders and managers of all GPLT country Chapters have to develop, at the very least, basic skills in financial management. Expecting others in the organisation to manage finances is clearly asking for trouble. Basic skills in financial management start in the critical areas of cash management and bookkeeping, which should be carried out following certain financial controls to ensure integrity in the bookkeeping process. New leaders and managers should swiftly learn how to generate financial statements (from bookkeeping journals) and analyze those statements so as to develop a real understanding of the financial condition of the organisation. Financial analysis shows the 'reality' of the situation of every GPLT section – and as such, is one of the most important practices in management. This policy will provide you with an understanding of common practice in financial management, and help you to build the basic systems and practices needed in for your country section.

As GPLT our financial situation is reviewed at least on a monthly basis, with the focus on the budget, receipts of income and expenditure. The Directors/financial officer shall be responsible for ensuring that financial controls are in place and adhered to and, more specifically, that:

- expenditures remain within the budget,
- expenditures are only for the purposes set out in the budget,
- Financial documentation, including quotations, invoices and receipts are collected and filed in an orderly manner.

All staff members, Programme beneficiaries, volunteers and board members generally have a responsibility to prevent financial mismanagement. It is therefore imperative to have **internal financial control mechanisms** and policies in place.

GPLT internal accounting control comprises a series of procedures designed to promote and protect sound management practices, both general and financial. By following internal accounting control procedures, every GPLT section will significantly increase the likelihood that:

- financial information is reliable, so that managers and the Board can depend on accurate information to make decisions,
- assets and records of the organisation are not stolen, misused or accidentally destroyed,
- the organization's policies are followed,
- Government regulations are complied with.

The first step in developing an effective internal accounting control system is to identify those areas where abuses or errors are likely to occur. The following areas and objectives, which will be discussed in more detail in the following section of this policy, need to be addressed through an effective internal accounting control system:

**Cash receipts** – to ensure that all cash intended for the organisation is received, promptly deposited, properly recorded, reconciled and kept under adequate security,

**Cash disbursements** – to ensure that cash is disbursed only upon proper authorization of management, for valid business purposes and that all disbursements are properly recorded,

**Petty cash** – to ensure that petty cash and other working funds are disbursed only for proper purposes, are adequately safeguarded and properly recorded,

**payroll** – to ensure that payroll disbursements are made only upon proper authorization to bona fide employees, that payroll disbursements are properly recorded, and that the organisation is compliant with related legal requirements (such as payroll tax deposits),

**Grants, gifts, and bequests** – to ensure that all grants, gifts, and bequests are received and properly recorded and that compliance with the terms of any related restriction is adequately monitored,

**Fixed assets** – to ensure that fixed assets are acquired and disposed of only upon proper authorization, are adequately safeguarded and are properly recorded.

Additional internal controls are also required to ensure proper recording of donated materials, pledges and other revenues, accurate, timely financial reports and information returns and compliance with other government regulations.

Achieving these objectives requires that your organisation clearly states procedures for handling each area, including a system of checks and balances in which no financial transaction is handled by only one person from beginning to end. This principle, called **segregation of duties**, is central to an effective internal controls system. Even in a small section, duties may be divided up between paid staff and volunteers to reduce the opportunity for error and wrongdoing. For example, in a small section, the Directors might approve payments and sign checks prepared by the bookkeeper or office manager. The board treasurer might then review disbursements with accompanying documentation each month, prepare the bank reconciliation, and review cancelled cheques.

The board and the Directors share the responsibility for setting the tone and standard of accountability and conscientiousness regarding the organization's assets and responsibilities. The board, usually through the work of the finance committee, fulfils that responsibility in part by approving many aspects of the internal control accounting system.

The policies and procedures for handling financial transactions are best recorded in an accounting procedures manual describing the administrative tasks and identifying the person responsible for each task. The manual does not have to be a formal document; it can be a simple description of how functions such as paying bills, depositing cash and transferring money between funds are handled. As you start to document these procedures, even in simple memo form, the memos themselves can be kept together to form a very basic accounting procedures manual. Writing or revising an accounting procedures manual provides a good opportunity to ensure that adequate controls are in place; additionally, such a manual helps to facilitate a smooth turnover in financial staff.



The Directors is commonly responsible for overseeing the day-to-day implementation of these policies and procedures. Due to the number of detailed requirements involved when every GPLTA section receives funding from a given donor, there should be one person in the organisation (possibly the grant administrator) with the responsibility of understanding and monitoring the specific regulations, requirements and compliance factors specific to that donor.

As every GPLT section changes and matures and funding and programmes change, you will periodically need to review the internal accounting control system which was established and to modify it to make allowance for new circumstances (bigger staff, more restricted funding) and regulations (such as receiving bigger grant awards with increased compliance demands).

As a non-financial leader or manager, you are not required to set up the bookkeeping system yourself, or to maintain it. This should instead be done by a competent bookkeeper or accountant employed by your organisation. It can also be done by someone who offers a bookkeeping service to a number of Chapters .

The advantages of having a bookkeeper permanently employed by a SECTION are that:

- the bookkeeper's first loyalty will be to the organisation,
- the bookkeeper will be available at all times,
- the cost of employing the bookkeeper remains the same, no matter how many times he/she is required to meet with staff or explain something to them,
- If a SECTION's finances are complicated and there are many financial transactions, the organisation may need a bookkeeper on hand to deal with queries and problems as they arise.

When a bookkeeper is employed it is important to:

- check references, experience and qualifications,
- make sure he/she can use the system you have or want to use (very important if you are computerized),
- conduct the interviews in the presence of someone with financial expertise, who will ask the right kinds of questions,
- Insist on a probationary period of at least three months.

***Do not employ someone who will have to learn 'on the job' unless you have a finance department employing more than one bookkeeper.***



## 2 The accounting system

A practical accounting system for every GPLT section typically consists of the following:

### 2.1 The funding agreement

The funding agreement between the donor and the organisation outlines all aspects regarding the project and should include the following:

- Activities to achieve the deliverables
- funding of the project
- reporting on activities --
  - narrative report --
  - financial report
  - Periods of reporting
- management of funding and procurement of goods
- Stipulations in the budget regarding how the funding is to be applied.

### 2.2 The budget

The budget includes all planned activities listed by type of activity. It is a financial framework listing all activities and deliverables as stipulated in the agreement. Each line item in the budget indicates the costs which may be incurred for the specific activity (for example, the number of workshops to be presented, the number of persons to attend, the venue rental costs, the presenter costs). Travelling costs and per diems are either provided for in a separate line item or aligned with specific activities. Fees per kilometer and per diems applicable are listed. Provision for administrative costs may include:

- bookkeeping fees
- audit fees
- telephone costs
- rental
- stationery
- other office costs
  - Office costs may be subdivided into specific costs or may be provided for as a lump sum for overhead costs for the total project.
  - If divided into specific costs, actual costs are claimed per month as they occur according to specification.
  - If specified as a lump sum, the total overhead provision may be transferred to a dedicated account from which running costs are paid monthly in total. The organisation can transfer the overhead funds to a dedicated account named, for example, 'own funds', pooling overhead funds from different projects. When transferring the overhead costs to an 'own funds' account, that sum is entered as an expense in the records of the project in the month of transfer in one sum. The organization's running costs which are not project-specific may be paid from the 'own funds' account. Funds remaining in this account may also be used to bridge periods when projects have been completed and new projects have not yet commenced, but running costs like rent, telephone and insurance still have to be paid by the organisation.

If, during the implementation of the agreement, it is found that certain reasonable costs could exceed the relevant budget line, an agreement has to be reached with the donor to re-adjust the costs accordingly and to rebalance the budget by reducing other line items. This should be done before overspending on a line item actually occurs. Salaries and fees are generally not adjustable during the course of an agreement. For the duration of the project a summary of expenses is drawn up and is updated monthly, indicating monthly expenses, total expenditure to date and the remainder of funds per line item. This serves as a control instrument for both the manager of the organisation and the project programme managers.

*(See page 24: Annex 1 – Expense summary)*

The following expenses are usually not allowed by donors:

- **lobbying** – includes direct legislative lobbying and grassroots lobbying;
- **fund-raising** – includes costs of organised fund-raising, endowment drives, solicitation of gifts and bequests and similar expenses incurred solely to raise capital or obtain contributions;
- **bad debts** – any losses arising from uncollected accounts and other claims and related costs;
- **contingencies** – contributions to a contingency reserve or any similar provision for unforeseen events;
- **finances and penalties** – resulting from violations of, or failure to comply with state and local laws and regulations;
- **losses on other awards** – any excess of costs over the grant budget is not allowable;
- **unnecessary travel costs** – for example, when travelling by air, only economy class is allowable;
- contributions and donations by the organisation to others;
- certain depreciation or use allowances on buildings and equipment purchased with the donor's funding;
- **entertainment** – costs for amusement, social activities, ceremonials, hospitality and activities relating thereto, such as meals, lodging, rentals, alcoholic drinks, transportation and gratuities are unallowable;
- **Interest** – costs incurred for interest on borrowed capital are unallowable.

In addition, an SECTION will generally have to submit a reconciliation of funds received to its donors at pre-arranged time intervals so that control can be kept of how much of a grant advance has been used, whether the SECTION would need a subsequent advance and how much interest (which often has to be returned to the donor) any advanced funds have accumulated. Although the requirements of various donors and the forms to be used in this regard may differ, an example of such a reconciliation form is presented in **Annex 2** of this policy.

*(See page 26: Annex 2 – Reconciliation of donor contribution)*

## 2.3 Bank accounts

The choice of a bank will depend on the facilities available at the section's location. The decision should also be based on the willingness of the bank to pay interest on a current account. If the agreement stipulates that interest earned on the funds of the project is refundable to the donor, a dedicated bank account must be opened to accommodate that agreement. Management decides who is responsible for the approval of payments, the signing of cheques, electronic transfers, and the handling of petty cash:

- **Cheques:** A single signatory signs, or two signatories co-sign cheques according to a resolution of the Board of Directors of the organisation. The cheques plus a cheques requisition form is completed by the bookkeeper and presented to the signatory/ies, together with the approved invoice for payment.
- **Electronic transfers:** The same policy lines as for cheques apply. The transfer request is signed by one or two signatories, as has been determined. A designated person does the actual electronic transfers. The transfer documentation is signed by the signatories who approved the transaction, or by other designated persons.

Chapters must provide safeguards for all grant property, whether cash or other assets, and assure that it is used solely for authorised purposes. Control will be enhanced if the duties of the members of the organisation are divided so that no one person handles all aspects of a transaction from beginning to end. Although a complete separation of functions may not be feasible for a small section, some measure of effective control may be obtained by planning the assignment of duties carefully. Many of the most effective techniques for providing internal control are very simple. Within every GPLTA section, the same person should therefore not be performing the following duties:

- preparation of bank reconciliations and approval thereof;
- preparation of requisitions and approval of expenses;
- Accounting entries and approval of expense reports.

Where required by a donor agency, a separate bank account should be opened for the specific use of the donor's approved budget and activities. Transfers between donor bank accounts are NEVER allowed. However, if necessary, funds may be transferred from the general account to a donor account when funds run low or funds are not transferred in time.

Bank reconciliations should be conducted on a monthly basis by the financial officer and approved by the Directors.

## 2.4 Petty cash

Depending on the type of activities, cash payments sometimes cannot be avoided. In this case a petty cash structure must be put in place. One person only (supervised by, for example, the financial controller) should have control over cash funds, have sole aGPLTss to the cash, and assume responsibility for the reconciliation of the petty cash vouchers and the remaining cash funds. If the financial controller is in charge of petty cash, another person is designated to supervise the petty cash operation at intervals. The handler of petty cash is responsible for the reconciliation of the petty cash funds and is liable for any shortages of cash. The key of the cash box remains with the person handling petty cash at all times.

- Cash is kept in a cash box in a secure, lockable cupboard or a safe.
- For payouts from petty cash, a petty cash request form must be completed.
- The recipient of the cash signs the petty cash request form when receiving the cash.
- The transaction is finalised when proof of purchase (invoice or till slip) is handed to the keeper of the petty cash and any surplus cash has been returned.
- The final amount paid, and the funds returned to petty cash, are noted on the petty cash request form.

## 2.5 Procurement

Every GPLT section's procurement policy should be based on the principle of assuring the most cost efficient and rational use of resources for goods or services that will best serve the organisation both at the present and in the long term. Chapters should follow a multi-quote system procurement policy for the supply of both products and services. This system of procurement should not preclude exercising good judgement in assessing the merits of the quotations received. This system of procurement should not result in a lowering of minimum standards or norms as required by the specific purchase in assessing the quotations received. In instances where long-term business relations have developed with suppliers to the extent of sole-sourcing, the relationship will be subject to market-related standards and competitive review. In instances where procurement occurs within monopolistic industries, such procurement will be exercised with good judgment. This does not preclude procurement of services beyond country borders if necessary and to the benefit of the organisation. All assets are to be reflected on the organisation's fixed asset register. Asset disposal shall occur in consultation with the relevant donor.

Different approaches should apply to the purchase of non-expendable items, or fixed assets (such as computers, cars, printers and copying machines), on the one hand, and general purchases (such as office stationery) on the other. Non-expendable items are those with a useful life span of more than one year; they are permanent in nature and include (but are not limited to) office furniture, computer equipment, photocopiers and electronic equipment.

In the case of non-expendable items, or fixed assets, such as computers, printers and photocopying machines:

- the purchase must be provided for by the agreement and approved by the Directors
- three quotations must be obtained if the purchase value of a single item exceeds \$1 000, or as specified by the agreement
- The Directors must confirm the choice (made from the quotations) of item to be purchased by signing the quotation before the item is actually ordered.

A fixed asset register, listing the following details relating to non-expendable equipment, must be maintained:

- type of equipment
- serial number
- date purchased
- cost of purchase
- current cost (depreciated value)
- Location (office assigned to).

All items removed from the asset register should be accounted for by the Directors. The asset register should be updated as soon as new items are purchased or acquired, but at least once a year.

*(See page 28: Annex 3 – Fixed asset list)*

In the case of general purchases (fuel, stationery, refreshments, cleaning material):

- a purchase order is completed before the item is purchased;
- the delivery note, confirming receipt of goods, is signed by the person of the organisation receiving the goods;
- the invoice is approved by the Directors for payment and signed, along with the payment request form and he or she indicates the relevant budget line item;
- the payment is made by cheque or electronic transfer;
- low cost items such as refreshments and cleaning materials are mainly purchased via petty cash.

*(See page 30: Annex 4 – Purchase order)*

Non-expendable items should not be removed from the office building unless for purposes relating to a programme. In such a case, prior authorisation must be given by the Directors. A prescribed consent form must be completed prior to the removal of the item from the office building. If a staff member removes a non-expendable item from the office without prior consent and it is damaged or stolen, the staff member will take responsibility for the damage or loss of property. A policy does not normally allow for the lending out any non-expendable items to a person or organisation. However, the Directors may use his or her discretion if the need arises for lending out specific items. In such cases, the lender will take full responsibility for damages to or theft of the property.

## 2.6 Recording of project activities

Activities should be executed as agreed upon in the agreement with the donor. Records and proof per activity must be kept. Reporting is usually done as follows:

### a) Narrative reporting on activities

The programme manager summarises the activity, supported by the following documentation, also reporting on outcomes, challenges incurred and results achieved, if measurable:

- an attendance register, signed by all participants of workshops, conferences and seminars;
- the date, place, venue and subject of the seminar or workshop and group addressed (recorded on the attendance register);
- evaluation forms, completed at the closure of the event by the participants;
- Questions regarding the presentation and the content of the workshop, completed anonymously by the participants of the workshop (listed on the evaluation document).

*(See page 31: Annex 5 – Attendance register – grassroots educational seminar)*

*(See page 32: Annex 6 – Attendance register – workshop)*

## b) Financial reporting on activities

All costs incurred for the presentation of an activity are summarised in a financial report:

- **venue costs** – rental of hall
- **presenter fee** – external consultant
- **travelling expenses** – per kilometre fees for presenter or participants from remote locations
- presentation materials and stationery used during the workshop
- refreshments consumed during the workshop
- **daily allowances** (*per diems*) – only applicable for overnight absence from home.

When planning an activity, expenses must be aligned with the budget.

*(See page 33: Annex 7 – Travel claim form)*

*(See page 34: Annex 8 – Daily allowance claim form)*

*(See page 35: Annex 9 – Financial report: Workshop)*

*(See page 36: Annex 10 – Confirmation of goods purchased)*

## 2.7 Payments

Payments are usually made electronically by internet banking, by cheque or in cash. The procedures for paying electronically by internet banking or by cheque are as follows:

- payment of an invoice is authorised by the manager's signature and an indication of the budget line item on the invoice
- the bookkeeper completes the cheque requisition form, writes out the cheque and attaches the cheque and the invoice to the requisition form
- each cheque should be secured with the words 'Not negotiable', written out or stamped on the top part of the cheque
- the signatories sign the cheque as well as the cheque requisition form
- the cheque number, the date of the cheque and the project which funds the payment

are clearly written on the invoice in order to prevent double payment of invoices

- Cash cheques are issued only to replenish petty cash and may not be secured with the 'Not negotiable' note (a cheque which is marked 'Not negotiable' has to be paid into a bank account).

*(See page 37: Annex 11 – E-Bank requisition)*

*(See page 38: Annex 12 – Cheque requisition)*

The procedure for payment in cash is as follows:

- each payment from petty cash is recorded on a cash requisition form
- the person in charge of the petty cash completes a cash requisition, noting the amount advanced
- the recipient of the cash signs in acknowledgement of receipt of the cash advance
- after the purchase has been made, the proof of payment (invoice or till slip) and the remaining cash funds are returned to the petty cash holder
- the actual costs, as well as the funds returned are recorded, and the requisition form is signed by the petty cash holder and the purchaser to indicate agreement regarding the conclusion of the transaction
- the proof of payment is attached to the petty cash requisition form.

*(See page 39: Annex 13 – Petty cash requisition)*

## 2.8 Bank transactions – cash book

Bank transactions may consist of cheques issued, electronic banking transactions, debit orders, interest received and bank charges. Banks issue bank statements on a monthly basis or as agreed upon with the bank. All transactions are recorded on a schedule indicating:

- opening balance at the beginning of the month
- all cheques issued during the month, listed in numerical order
- all e-banking transactions, listed in chronological order
- debit orders paid by the bank
- bank charges
- Balance at the end of the month.

The balance reflected in the cash book is reconciled monthly with the balance showing in the bank statement. Differences between the two balances are reconciled by listing the outstanding items between the two balances. In the cash book, all payments are subdivided (if applicable) to the line item columns of the projects' budget line items, and then summarised on the cash book schedule, adding up to total expenses of the month paid from the bank account.

On the cash book schedule, petty cash expenses are also listed and added to the columns for line items. These show movement in funds available in both the bank account and the petty cash.

The cash book summarises movement in funds payable and receivable, and income received from donors.



*(See page 42: Annex 16 – Cash book)*

## 2.9 Cash transactions – petty cash

All transactions are recorded on a schedule indicating:

- opening balance at beginning of the month
- cash received
- payments made from petty cash.

No petty cash transaction should be left incomplete at the end of each month. The closing balance at the end of the month must be reconciled with the cash available. Any shortfall is refunded to the petty cash by the handler of the petty cash from his or her own pocket.

*(See page 40: Annex 14 – Petty cash summary)*

## 2.10 Monthly summaries of expenses

On this schedule all expenses are recorded for each budget line item, per month. In one column the budget according to the agreement is listed. In another column the differences between actual costs to date and the budget are indicated, appearing as under budget or over budget. This schedule is an important instrument to keep track of the progress of spending on a funding agreement.

## 2.11 Trial balance

The trial balance lists all general ledger accounts. The totals of the debit and the credit balances should be equal, proving that debit and credit entries were posted equally and are balancing. This does not prove that costs have been allocated correctly.

*(See page 41: Annex 15 – Trial balance)*

## 2.12 Balance sheet and income statement

The balance sheet and income and expenditure statement are extracted from the trial balance.

The income and expenditure statement includes all monies the organisation has earned or received and balances this against how much has been spent. Essentially, the statement presents total income received and the nature thereof, as well as the costs and expenses charged against this income. For a SECTION this statement typically reflects funding sources compared against programme expenses, administrative costs, and other operating commitments. Revenues and expenses are further categorised in the income statement by the donor restrictions on the funds received and expended.

Whereas the income statement depicts the overall status of the organisation's surplus or deficits by looking at income and expenses over a period of time, the balance sheet depicts the overall status

of the organisation's finances at a fixed point in time – usually at the end of its financial year. All assets are added and all liabilities subtracted to compute the organisation's overall net worth.

## 2.13 Audited annual financial statements

Chapters are expected to maintain a state of audit readiness. This means that financial and programme-related records relating to their grants must be readily accessible for audit. Failure to provide the auditor with reliable documentation could lead to questioned costs and possibly result in cost disallowances. After the end of each financial year an annual audit must be performed by accredited auditors. Each donor is supplied with a copy of the audited financial statements. Donors often expect audited financial reports on their specific funding. This has to be agreed upon with the auditors at the start of the audit. The total period of the agreement with the donor has to be covered by audited financial statements. This specific reporting to a donor could span the audit reports of several financial years of the organisation, depending on the total period covered by the agreement.

An external audit is an independent report that covers:

- how much money the organisation has received and spent in the financial year, and what the money was used for;
- whether the money has been spent in accordance with the constitution of the organisation, board decisions and donor requirements;
- whether the accounts (the bookkeeping system) have been properly and honestly kept;
- the value of the organisation's assets;
- how the financial record-keeping system could be improved.

It is also possible to perform an internal audit for your own purposes. This can be done by someone inside the organisation.

The person who performs the external audit (the auditor) must not be actively involved in the organisation, and should not be a relative or close associate of anyone actively involved in it. In some Chapters, it is a government or donor requirement that the auditor be formally qualified and registered. In others, it is sufficient if the audit is performed by someone who is competent and not directly involved with the organisation.

The auditor is usually formally appointed at the organisation's annual general meeting. The auditor can only be changed by a formal resolution at an official board meeting. Donors usually want to know why you are changing your auditor. In many countries there are strict legal policy lines stating who can act as an auditor, often linked to the size of the organisation.

As well as auditing the annual accounts, the auditor is usually available during the year to provide support and advice.

The audit is usually done as soon as possible after the close of the organisation's financial year. In preparation of the audit the following documents should be ready:

- a copy of the organisation's constitution
- copies of contracts, agreements, or letters setting out the conditions of grants, donations or other income received for specific purposes
- copies of budgets for suctioning work or special projects
- copies of grant application forms
- copies of the minutes of board meetings
- income and expenditure analysis records
- supporting documentation for income
- receipt books if receipts for money received are issued
- petty cash analysis records
- supporting documentation for petty cash records
- bank statements for the year
- bank reconciliations for the year
- cheque stubs (counterfoils) for all cheque books used during the year, and the one currently in use if it was used for the year under audit
- cheques returned to the organisation by the bank once they have been cleared
- all deposit book records
- a list of creditors (everyone to whom the organisation owed money) at the end of the financial year
- a list of debtors (everyone by whom the organisation was owed money) at the end of the financial year
- a list of creditors and debtors from the end of the previous financial year
- records of statutory payments made, particularly on staff salaries
- Details of all assets.

The auditor may also ask to see:

- **a list of accruals** – income the organisation has received for goods or services it has not yet provided;
- **a list of pre-payments** – expenditure the organisation has made for goods or services it has not yet received;
- Lists of accruals and pre-payments from the end of the previous financial year.

Other documents the auditor may need or that will help the auditor include:

- vehicle log books
- value added tax (VAT) records
- tax records

When the audit is almost complete, the auditor will list issues that have not been fully resolved during the audit. The auditor will ask management to clarify these issues; if unresolved issues cannot be clarified, the auditor will mention them in the audit report. Such a circumstance, should it arise, is a very serious matter.

At the end of the audit, the auditor usually draws up a set of draft annual accounts based on the information reviewed. He or she will include a record of income and expenditure actually received

and spent, possibly with adjustments for creditors, debtors, accruals, pre-payments and depreciation of equipment or vehicles. There may also be a draft balance sheet showing the financial position of the organisation on the last day of the financial year. The auditor will include a statement saying that the accounts have been drawn up in accordance with certain standards, based on information provided by the organisation. The statement usually says that, in the auditor's opinion, the accounts are an accurate and honest statement of the organisation's financial dealings and situation for the financial year in question.

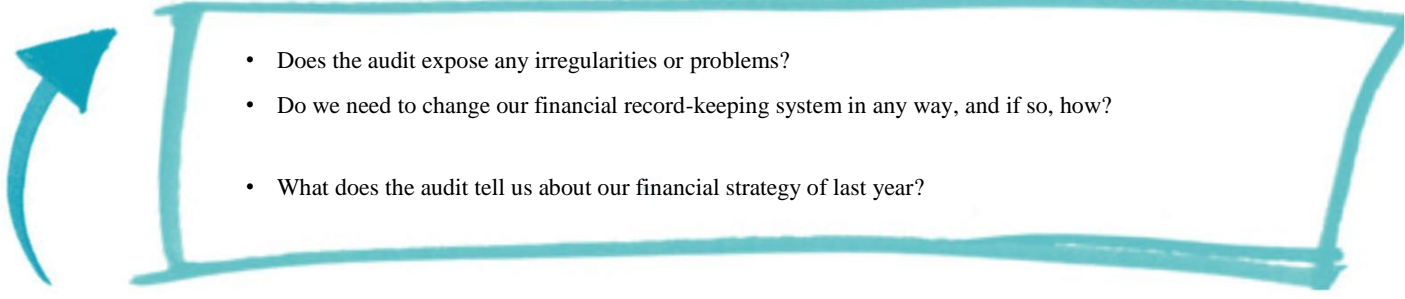
A good auditor will recommend ways to improve the organisation's financial systems and procedures. The auditor's advice should always be taken seriously. Such advice is usually given in a **management letter**. This is a very useful document that should be reviewed, along with the accounts, by the board. It may even be shared with donors. The idea is to improve the financial control and accountability practices of your organisation. The Directors should report regularly to the board on how the recommendations of the auditor are being followed up.

The draft audited statements should be checked by the Directors and then submitted to the board for approval and signing. When the accounts have been signed by board representatives, they are no longer draft accounts, and become **final accounts**.

The accounts should not be signed by any person who does not understand them. If anything is unclear, the auditor may be asked for clarifications; alternatively, he or she may be requested to attend the meeting at which the board discusses the accounts.

A SECTION's Directors, who has the final responsibility and is accountable for all funding, needs to ensure that, when going over the audited statements, he or she is able to answer the following questions:

- How do the figures for income and expenditure compare with the actual expenditure for the previous year (which will be shown)?
- How do they compare with the budget for the year?
- Why have there been substantial increases and/or decreases on certain items?
- Have all items of expenditure been included? Are they all justified?
- Has the audit fee been included?
- How does this balance sheet compare with the previous one? Is the organisation in a better or worse position financially than it was last year?
- How do the total current assets compare with the total current liabilities?
- Is any deficit in the year being audited covered by a surplus from previous years?
- Even though previous years' surpluses are part of the accumulated fund or equivalent item, if there is a deficit, how will a similar situation be avoided in this year?
- Are there any large sums of money owing to the organisation? If so, what steps could be taken to retrieve the outstanding payments?
- Where are the financial reserves of the organisation invested, and are they earning a reasonable income? Is the investment in line with the policies of the organisation and are donors happy with the investment policy?

- 
- Does the audit expose any irregularities or problems?
  - Do we need to change our financial record-keeping system in any way, and if so, how?
  - What does the audit tell us about our financial strategy of last year?



### 3. Reporting to a donor

Intervals of reports will be as per the agreement between the donor and the organisation. Reports usually consist of a narrative and a financial report. The narrative report covers all activities completed for the reporting period, in detail. The financial report lists all expenses progressively during the period of the agreement. The reports, as shown in the appendices, are adjusted to cover the donor's requirements.

*(See page 24: Annex 1 – Expense summary)*

*(See page 26: Annex 2 – Reconciliation of donor contribution)*

Sometimes, during the period of the project, it appears that certain activities cannot be carried out as planned, or are not as effective as expected, but could, with adjustments, achieve better results. Under such circumstances, the consent of the donor is to be obtained ahead of changes in the execution of the project. Should this require adjustments to budget line items, such changes are discussed with the donor as well. Only after written consent of the donor has been received may adjustments to the programme be carried out by the recipient of the grant.



## 4. Staff administration

### 4.1 The employment agreement

There are several different employment agreements, which may be either for an unspecified period or for a limited period that takes the duration of a project into account. Staff may be employed by the organisation for an unspecified period, where the staff member receives an agreed salary irrespective of the projects with which that person is involved. Alternatively, staff may be employed for the duration of a certain project only, in which case the period of employment corresponds with the period of the project.

The employment agreement stipulates the following:

- the two parties to the agreement – the employer and the employee
- general employment in a certain position, or project-specific employment, specifying which donor agreement rules the employment period
- conditions of employment – position, period of employment, remuneration, leave, length of working week, training, probation time, termination condition, company policy, medical aid and pension fund (most Chapters are not in a financial position to offer medical aid or pension fund benefits, a position stated very clearly in the agreement)
- the duties to be fulfilled

- that grossly inconsistent or criminal behavior or negligence will lead to termination of contract
- that outstanding monies due by the employee to the organisation are refundable on termination of the contract and are deductible from monies payable by the organisation to the staff member
- Employment is guaranteed only as long as the organisation has donor funding for the position.

## 4.2 Salary payments

Salaries are payable before the end of each completed calendar month. Pay-as-you-earn (PAYE) tax is deducted according to the latest tax table issued by the Receiver of Revenue. Social security is deducted at a rate of .09% of the basic salary, up to a maximum of \$54 (for salaries of \$6 000 per month and higher). Pension fund and medical aid deductions are deducted if applicable. A pay slip per employee is issued in duplicate. One is handed to the employee and the second copy is kept by the employer.

The pay slip lists the following:

- name of organisation
- name of employee
- period of payment
- basic salary
- all relevant deductions (listed individually)
- Net payment due to employee.

Payment of the salary is made either by electronic banking or by cheque (which has to be handed to the employee before or on the last day of the month for which the salary is due). All salary deductions have to be paid to the relevant Chapters :

- PAYE to the Receiver of Revenue is payable within twenty days after the end of that month for which the salary was paid (the return schedule is supplied by the Receiver of Revenue).
- Social security contributions of the employee are payable to the Social Security Commission (SSC) within 30 days after every end of the month. The total amount due to the SSC consists of the contributions of the employees plus the same amount contributed by the employer. The return form is supplied by the SSC.
- Pension fund and medical aid fund deductions are paid to the administrators of the respective funds, inclusive of the employer's contributions, if applicable. Return forms are supplied by the institutions.

*(See page 44: Annex 17 – Pay slip)*

## 4.3 Income tax registration of the organisation

An employer has to register as such with the Receiver of Revenue. The employer deducts PAYE from the employees' salaries in accordance with the latest tax table issued by the Receiver of

Revenue. PAYE deducted is paid to the Receiver of Revenue within twenty days after the end of the month for which the salary was paid. After the end of the tax year (28/29 February of each year), IRP5 certificates, supplied by the Receiver of Revenue, are issued to the employees. A summary of PAYE paid to the Receiver of Revenue during the tax year, IRP5 certificates completed for that tax period, and a reconciliation of tax certificates on hand is recorded on Form 6-0/0033 (issued by the Receiver of Revenue). The completed form has to be returned to the Receiver of Revenue by the end of March following the previous tax year. When an employee joins the organisation, form 6-0/0020, regarding the personal particulars of the employee (available from the Receiver of Revenue) is completed by the employee. This form provides all personal details, including the income tax reference number and Namibian identity number to the employer.

#### 4.4 Income tax registration of employees

Employees have to be registered with the Receiver of Revenue. The Receiver issues a registration certificate indicating the tax payer's registration number. A copy of this certificate has to be kept by the employer. The employee registration number is needed when issuing the IPR5 certificates.

#### 4.5 Social Security Commission

It is compulsory for employers and employees to be registered at the SSC. The onus to register lies with the employer. A deduction of .09% is made from the employee's monthly basic remuneration. The employer and employee contribute equal amounts towards the fund on a monthly basis. The maximum amount deductible is \$54.00. Registration entitles the employee to maternity and sick leave benefits, as well as death benefits.

#### 4.6 The Employee Compensation Act

It is compulsory to register with the SSC as an employer under the Employee Compensation Act. The Social Security Commissioner issues form E.As.6 annually. This form is returned to the SSC on completion. A Notice of Assessment form (E.As.5) is issued to the employer accordingly, indicating the annual contribution which the employer has to pay. The Employee Compensation Act entitles employees to the benefits of the Act if the employee sustains an injury as the result of an accident arising out of and in the course of his or her employment, or if the employee has contracted a scheduled industrial disease owing to the nature of his or her occupation. All accidents or alleged accidents that entail expenses in respect of medical treatment or absence from work for longer than three days, permanent disablement, or death, must be reported to the SSC.

#### 4.7 Administration of leave

When leave is taken, a leave form is completed ahead of time. The following details are required:

- employee's name
- purpose of leave (annual, study, maternity or compassionate leave)
- period of leave, indicated by inclusive days
- signature of employee
- signature of person granting the leave
- number of leave days taken.

*(See page 45: Annex 18 – Leave application)*

*(See page: 46: Annex 19 – Record of leave)*

## 4.8 Consultants

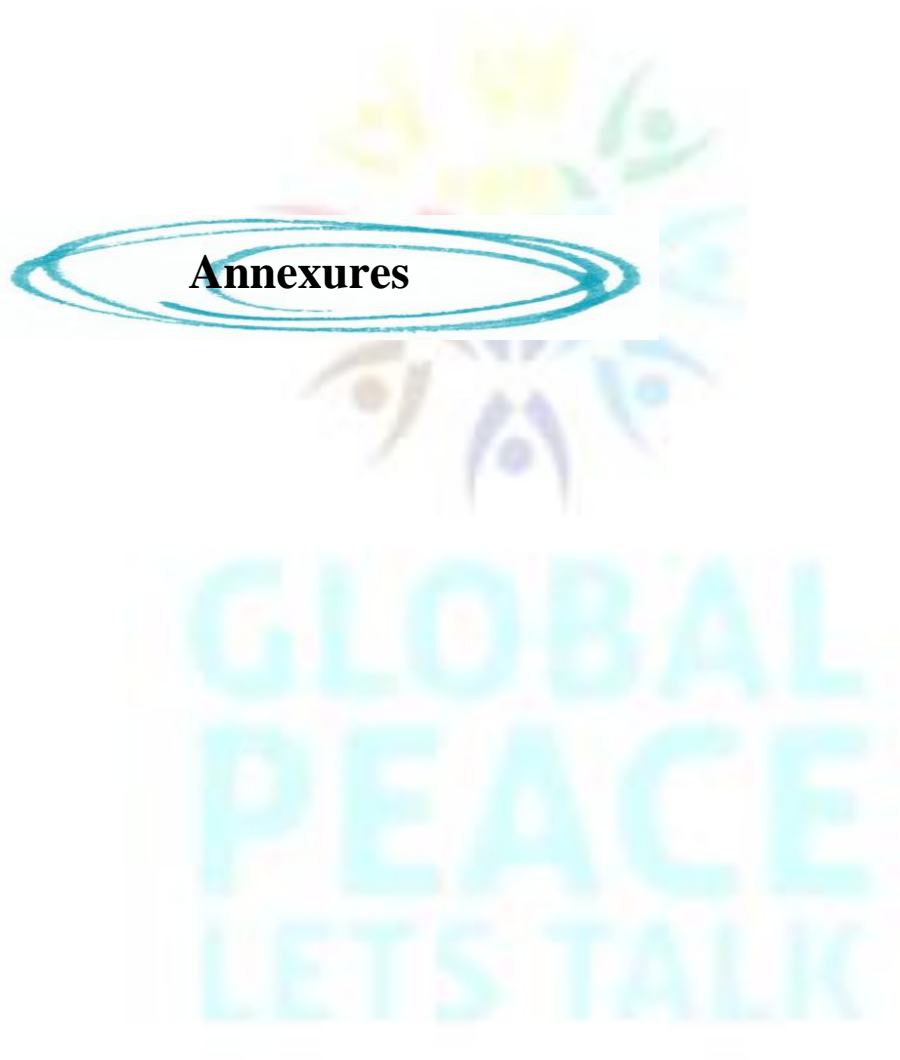
If external consultants are engaged for the completion of certain activities related to an agreement, an honoraria agreement is reached between the organisation and the consultant. It stipulates the following:

- honorarium payable to consultant
- address of consultant
- profession of consultant
- donor and project for which the honorarium is granted
- period in which the task to be completed
- amount due
- budget line item
- Activity description of work performed by consultant.

The honoraria agreement is signed by both a representative of the organisation and by the consultant. The date on which the agreement is signed is recorded.

*(See page 48: Annex 20 – Honoraria agreement)*





**Annexures**

## Annex 1: Expense summary

Monthly expenses		Exchange rate						
Name of donor:								
Name of organisation:		Budget €	Budget \$	Over/ (Under) \$	Total \$	Jan \$	Feb \$	
<b>1</b>	<b>PROGRAM A</b>							
1.1	ACTIVITY 1							
	booklet 1							
	booklet 1							
1.2	ACTIVITY 2							
	sub-activity 1							
	sub-activity 2							
<b>2</b>	<b>PROGRAM B</b>							
2.1	ACTIVITY 3							
	sub-activity 1							
	sub-activity 2							
2.2	ACTIVITY 4							
	sub-activity 1							
	sub-activity 2							
2.3	ACTIVITY 4							
	sub-activity 1							
	sub-activity 2							
<b>3</b>	<b>OTHER DIRECT COSTS</b>							
	bookkeeping fees							
	audit fees							
	rent							
	communication							
	bank charges							
	<b>TOTAL</b>							

Year

	<b>Mar</b> \$	<b>Apr</b> \$	<b>May</b> \$	<b>Jun</b> \$	<b>Jul</b> \$	<b>Aug</b> \$	<b>Sep</b> \$	<b>Oct</b> \$	<b>Nov</b> \$	<b>Dec</b> \$

## Annex 2: Reconciliation of donor contribution

**Name of donor:**

**Name of organisation:**

**Agreement number:**

Line item	Approved budget (foreign currency)	Approved budget (local currency) estimated exchange rate .....	
<b>Block A</b>	\$	\$	
<b>TOTAL</b>			

The undersigned hereby certifies that the payment of the sum claimed is proper and that appropriate refund to the donor will be made promptly upon request in the event of disallowances of costs not reimbursable under the terms of the funding agreement.

Prior (CTD) cumulative To date .....	Expenditures this period Dates .....	Total expenditures Incurred .....	Advance for next period .....
To .....	to .....	To .....	to .....
\$	\$	\$	\$
			\$
<b>Block B</b>			
beginning period - outstanding advance balance		a	
expenditures during the current period		b	
advances received during current period		c	
sub-total - adjusted advance balance		d plus a minus b plus c	
advance requested for next period		e	
advance requested but not received		f	
sub-total - advance required		g plus e minus d minus f	
<b>Block C</b>			
SUMMARY OF INTEREST			
plus balance of interest brought forward		h	
plus interest earned current period		i	
less interest remitted to donor current period		j	
new balance - Interest due to donor		k plus h plus i minus j	
_____ Directors			_____ Date

## Annex 3: Fixed asset list

Name of donor:

Name of organisation:

Year end:

	Date of purchase	Description	Asset no.	Purchase cost	Additions (disposals)	Value: end of period	Accumulated depreciation: beginning of period	
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								

(Reverse depreciation)	Current depreciation	Accumulated depreciation 31/12/201....	Net book value	Estimated useful life	Residual value	201... depreciation (current year)

## Annex 4: Purchase order

Name of donor: \_\_\_\_\_

Name of organisation: \_\_\_\_\_

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

Project: \_\_\_\_\_

Budget line item: \_\_\_\_\_

Supplier: \_\_\_\_\_

Item	Quantity	Cost	Comment
TOTAL			

Signature: Programme Manager

Signature: Directors



## Annex 5: Attendance register: Grassroots seminars

**Name of organisation:** \_\_\_\_\_

**Theme / Subject / Content:** \_\_\_\_\_

**Workshop held at:** \_\_\_\_\_

**Workshop held by:** \_\_\_\_\_

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

	Name	Gender	Age	Occupation	Home town	Signature
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						

\_\_\_\_\_  
Signature: Workshop Presenter

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

## Annex 6: Attendance register: Workshop

**Name of organisation:** \_\_\_\_\_

**Theme / Subject / Content:** \_\_\_\_\_

**Workshop held at:** \_\_\_\_\_

**Workshop held by:** \_\_\_\_\_

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

	Name	Gender	Organization	E-mail / PO Box, Town	Telephone	Signature
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						

\_\_\_\_\_  
**Signature: Workshop Presenter**

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

## Annex 7: Travel claim form

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

**Position:** \_\_\_\_\_

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

**Donor:** \_\_\_\_\_

**Reason for travel:** \_\_\_\_\_

**Rate/Km :** \_\_\_\_\_

Date	From	To	Total KM	Total

I certify the above to be true and correct.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Approved by  
Signature/Stamp

## Annex 8: Daily allowance claim form

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

Position: \_\_\_\_\_

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

Donor: \_\_\_\_\_

Reason for travel: \_\_\_\_\_

From	To	Number of days	Rate/Day	Total

I certify the above to be true and correct.

\_\_\_\_\_

Payee Signature

\_\_\_\_\_

Approved by  
Signature/Stamp



## Annex 9: Financial report: Workshop

Name of organisation: \_\_\_\_\_

Topic / Subject: \_\_\_\_\_

Workshop held at: \_\_\_\_\_

Workshop held by: \_\_\_\_\_

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

Participants: \_\_\_\_\_

Duration: \_\_\_\_\_

### Expenses incurred

Date	Paid to	Details / description of goods	Paid by	Amount
<b>TOTAL:</b>				

\_\_\_\_\_  
Signature: Workshop Presenter

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

## Annex 10: Confirmation of goods purchased

*(only used when no cash slip can be obtained)*

**Name of organisation:** \_\_\_\_\_

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

Quantity	Description of goods	Price per unit	Total
<b>TOTAL</b>			

**SHOP STAMP**

**To be completed if no shop stamp available**

Shop name: \_\_\_\_\_

Shop address: \_\_\_\_\_

Shop owner name: \_\_\_\_\_

Shop owner signature: \_\_\_\_\_ Date: \_\_\_\_\_

Recipient organisation member: \_\_\_\_\_ Date: \_\_\_\_\_

## Annex 11: E-bank requisition

**Name of organisation:** \_\_\_\_\_

**Donor:** \_\_\_\_\_

**Bank Acc no:** \_\_\_\_\_ **Acc name:** \_\_\_\_\_

**Payable to (name of recipient of funds) :** \_\_\_\_\_

**Description (purpose of payment + budget line item) :** \_\_\_\_\_

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

**Transaction code:** \_\_\_\_\_

GL department	GL code	Account name	\$
<b>TOTAL PAYMENTS</b>			

\_\_\_\_\_  
**Requested by:**

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

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

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

## Annex 12: Cheque requisition

**Name of bank:** \_\_\_\_\_

**Donor:** \_\_\_\_\_

**Bank Acc no:** \_\_\_\_\_ **Acc name:** \_\_\_\_\_

**Payable to** (*name of recipient of cheque*) : \_\_\_\_\_

**Description** (*purpose of payment + budget line item*) : \_\_\_\_\_

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

**Cheque No:** \_\_\_\_\_

GL department	GL code	Account name	\$
<b>TOTAL PAYMENTS</b>			

\_\_\_\_\_  
**Requested by:**

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

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

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



## Annex 13: Petty cash requisition

**Donor:** \_\_\_\_\_

**Payable to:** \_\_\_\_\_

**Description:** \_\_\_\_\_

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

**Transaction code:** \_\_\_\_\_

GL department	GL code	Account name	\$
<b>TOTAL PAYMENTS</b>			

\_\_\_\_\_  
**Received by:**

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

\_\_\_\_\_  
**Paid out by:**

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

## Annex 14: Petty cash summary

Name of organisation: \_\_\_\_\_

Month: \_\_\_\_\_

### DEPOSITS

Date	Cheque no	Detail	\$
<b>SUB-TOTAL</b>			

### PAYMENTS

DATE	GL code	Recipient	\$
<b>SUB-TOTAL</b>			
<b>BALANCE END OF PERIOD</b>			

## Annex 15: Trial balance

Name of donor: \_\_\_\_\_

Name of organisation: \_\_\_\_\_

**Trial balance as at:** *financial year end date, e.g. 31.12.201....*

Motor vehicles			
Acc dep - motor vehicles			
Equipment			
Acc dep - equipment			
Bank account			
Petty cash			
Reserves			
Accounts receivable			
Accounts payable			
<b>Income</b>			
Donor funding income			
Interest received			
<b>Expenses</b>			
Audit fees			
Bank charges			
Cleaning			
Depreciation			
Electricity			
IT support			
Office supplies			
Postage			
Refreshments			
Rent			
Salaries			
Telephone			
Training workshops			
Civic education Survey			
Travel, transportation and per diems			

## Annex 16: Cash book

Date	Ch. No.	Detail	Comm	Bank	Recon	Income	Salaries	Rent	Telephone & postage	Water & electricity	Cl
		balance b/f			transaction no:						
					1						
					2						
					3						
					4						
					5						
					6						
					7						
					8						
					9						
					10						
					11						
					12						

**BANK RECONCILIATION**

balance per cash book

balance per bank statement

<b>Cash book journal June 2010</b>	
Bank charges	
Audit/secretarial/legal fees	
Rent	
Salaries	
Telephone & postage	
Water & electricity	
Cleaning	
IT support	
Travel & transport	
Office supplies	
Pr & refreshments	
Insurance	
Development	
Acc rec	
Acc payable	
Income	
Petty cash	
Interest received	
Bank	
<b>DIFF</b>	

Cleaning	IT support	Travel & transport	Office supplies	PR & refreshments	Insurance	Petty cash	Sundry	Detail

LET'S TALK

---



---

## Annex 17: Payslip

Name of organisation: \_\_\_\_\_

Name: *Employee's name*

Period ending: \_\_\_\_\_

\$

**Earnings:**

Basic

Pension allowance

Medical allowance

Leave pay

Gross total

**Deductions:**

Social security

Paye

**TOTAL PAYMENT/TRANSFER**

# Annex 18: Leave application

Name of organisation: \_\_\_\_\_

**Compassionate leave** *(discretionary)*

**Study leave** *(2 days per exam, exam timetable to be attached)*

**Sick leave** *(doctor's note is required after 2 days of absence)*

**Annual leave**

**Maternity leave**

Duration of leave

**From:** *(inclusive)* \_\_\_\_\_ **To:** *(inclusive)* \_\_\_\_\_

Applicant's signature

Date

<b>FOR OFFICIAL USE ONLY</b>	
# of days taken: _____	notes: _____
# of days remaining: _____	_____
Granted by: _____	_____
Date: _____	

## Annex 19: Record of leave

Name of organisation: \_\_\_\_\_

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

Date of employment: \_\_\_\_\_

5 day workweek

Year	Compassionate	Study	Maternity
			

ACCUMULATED LEAVE:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

LEAVE PAY CALCULATION	basic salary	daily rate factor	no of days due	daily rate	total amount due
basic salary			/21.67		



<b>Sick</b>	<b>Annual</b>	<b>Taken</b>	<b>Annual leave days remaining</b>



## Annex 20: Honoraria agreement

**Name of organisation:** \_\_\_\_\_

**An honorarium is payable to:** \_\_\_\_\_

**Address:** \_\_\_\_\_

**Profession:** \_\_\_\_\_

**for his/her work:** \_\_\_\_\_

**Total amount:** \_\_\_\_\_

I herewith confirm that I have received the above-mentioned amount and that I am not receiving payment for this work from another party.

_____	_____	_____
<b>Directors</b>	<b>Date</b>	<b>Recipient</b>

**Project:** \_\_\_\_\_

**Budget line item:** \_\_\_\_\_

**Donor:** \_\_\_\_\_



## Annex 21: Case study

The Global Peace Let's Tal (GPLT) a non-governmental organisation that is active in the democracy and governance sector in Namibia with its head office in Windhoek, routinely presents lectures on democracy at grassroots level countrywide, organises workshops on issues affecting civil society and trains trainers on various democracy-related subjects. The organisation has the following four employees:

- Directors, Mr/Mrs
- Programme Manager, Ms/Mrs/Mr
- Trainer, Mr/ Ms/Mrs
- Financial Administrator, Mr/Mrs /Ms

The GPLT has no pension scheme and no medical aid fund. A vehicle has been donated to the organisation by one of the donors. This vehicle may be used for activities undertaken to fulfil the project goals, irrespective of which donor is funding the activity.

GLOBAL  
PEACE  
LET'S TALK

## Example of reporting

During one month the following activities occur:

- **1 March:** The monthly office rent of \$2,500.00 is paid electronically to the owner of the office building, Mr. Houseowner.
- **4 & 5 March:** The Trainer, Mr. Ben Kanguuehi holds grassroots seminars at Helena (4 March) and Talismanis (5 March) in the Omaheke Region:

Mr. Kanguuehi drives to the Omaheke Region with the vehicle of the organisation. In preparation for the trip he receives an advance from 'own funds' petty cash of \$1,000.00 for fuel, as well as an advance of \$1,450.00 which is for per diems (\$300.00), rent for seminar venues (\$100.00), refreshment purchases (\$550.00), and presenter fees (\$500.00) from the project petty cash. The seminar at Helena is held at the community tree. The seminar at Talismanis is held at the local community hall. A rental charge of \$100.00 is due. The distance from Windhoek to Talismanis and back is 814 km. Mr. Kanguuehi departs on 3 March, presents the seminar at Helena on 4 March, travels to Talismanis the same day and holds the seminar at Talismanis on 5 March, returning to Windhoek on 5 March. At Helena, 24 persons attend, of which 14 are male and 10 are female. At Helena, refreshments to the amount of \$228.00 are purchased from a grocer, The Local Trader, who can only supply a cash register voucher without detail shown. Mr Kanguuehi completes a 'Confirmation of goods purchased' form with the owner of The Local Trader. At Talismanis, 29 persons attend, of which 13 are male and 16 are female. At Talismanis, refreshments to the value of \$280.00 are purchased from the General Superstore and a detailed cash register voucher is supplied. Mr. Kanguuehi returns to the office of the GPLT on 8 March and submits the following documentation and monies, for each seminar individually, to the financial administrator, Ms Van Wyk:

- narrative report
- completed attendance list, confirmed by a stamp of the local authority of the village
- financial report, summarising all costs incurred, with all supporting documents attached
- per diems confirmation schedule
- the donor's returned petty cash funds of \$42.00
- fuel purchase vouchers amounting to \$840.00 (\$160.00 is refunded to 'own funds' petty cash)

The Financial Administrator pays the per kilometre fees due from the donor bank account to the 'own funds' account. The kilometres are split between Helena (348 km @ \$2.00/km = \$696.00) and Talismanis (466 km @ \$2.00/ km = \$932.00).

Ms Van Wyk receives the remaining petty cash, returns this to the petty cash box and confirms the receipt of the cash on the petty cash requisition on which the initial advance for the activity was noted. Mr Kanguuehi and Ms Van Wyk sign to confirm the transaction.

- **7 March:** The Programme Manager, Ms Lucia Abrahams, presents a one-day 'training of trainers' workshop on anti-corruption for local participants at a venue in Windhoek. Coffee, tea and a light lunch are supplied by the venue's owner.
- **8 March:** Ms Abrahams returns to the office of the GPLT and presents the following documentation to the financial administrator:
  - narrative report on the activity
  - attendance register, signed and completed by all 25 participants -- evaluation sheets completed by the participants
  - invoice of the venue's owner, amounting to \$1,750.00, signed by Ms Abrahams to confirm that payment of the invoice is due.
- **10 March:** Ms Van Wyk pays the venue invoice electronically and draws up the financial report of the workshop.
- **12 March:** The telephone account is paid from the 'own funds' account by cheque # 124. The amount is \$845.10.
- **16 March:** The financial administrator is informed by the bank that \$30,000.00 has been transferred to GPLT's project account by the donor.
- **18 March:** Staff refund \$75.00 for their private calls of the previous month to petty cash 'own funds'.
- **24 March:** Mr. Kanguuehi presents an information session at a school in Rehoboth. Since the meeting lasts for about 90 minutes, no refreshments are offered. He returns to Windhoek on the same day, having travelled 174 km, for which he receives an advance of \$200.00 for fuel, paid from 'own funds' petty cash.
- **24 March:** Ms Van Wyk transfers \$8,000.00 from the donor account to the 'own funds' account. This payment is as per project budget of the donor in support of the GPLT's staff costs.
- **25 March:** Mr. Kanguuehi returns the following documentation to Ms Van Wyk:
  - a pre-printed confirmation of the presentation of the information session, stamped by the school, signed by the headmaster or a designated teacher, also indicating the total number of pupils who attended the activity, and the number of girls present, and including an evaluation of the presentation by an official of the school
  - a per diem form, completed by Mr Kanguuehi, to be confirmed by the financial administrator (half a day's per diem (@\$100.00 per full day), is due to Mr Kanguuehi)
  - a fuel voucher for \$200.00.
  - A sum of \$50.00 is paid to Mr Kanguuehi's account electronically.

- **25 March:** The Financial Administrator, Ms Van Wyk, prepares the payroll of the staff for the month. The Directors, Mr Nasectionmbe, verifies the salary payments prepared and signs to confirm the payments due. The salaries are transferred electronically. The PAYE deducted and the Social Security contributions are paid by cheque. [These transactions are actually only due during the next month. They are included in this case study to show all relevant salary transactions.]
  
- **26 March:** Ms Abrahams travels to Okahandja with her own vehicle, since GPLT's vehicle is deployed at another activity on the day of the presentation. A one-day workshop is held. Refreshments and a light lunch are supplied to the participants. A quotation for rental of the venue and supply of refreshments was obtained ahead of time. The total amount quoted is \$2,100.00 for 30 persons. Ms Abrahams purchases some pens and paper for participatory activities at the workshop. \$100.00 in petty cash is advanced. An invoice of \$94.50 and \$5.50 in cash are returned to petty cash. No fuel advance is needed.
  
- **29 March:** Ms Abrahams delivers the following documentation to the Financial Administrator:
  - narrative report on the activity
  - attendance register signed by all 29 participants and stamped by the organisation which participated in the workshop
  - evaluation sheets, completed by all participants
  - travel expense claim (the distance travelled – 142 kilometres – is verified on a roadmap: 142 km @ \$2.00/km = \$284.00 are paid to Ms. Abrahams electronically)
  - no per diems claim, since refreshments and lunch were supplied at the workshop
  - invoice from the organisation owning the venue and supplying the catering, signed by Ms Abrahams, amounting to \$2,100.00.

The financial administrator pays the venue and catering costs electronically.

- **29 March:** Milk and sugar are purchased for \$35.60 in cash for office consumption. The cash is paid from the 'own funds' petty cash.
- The following invoices have been received during the month of March and are prepared for payment from the 'own funds' account:
  - IT Supplies retrieved lost documents on one of the personal computers at the office of the GPLT; their invoice amounts to \$250.00
  - The Mechanic serviced the motor vehicle of the GPLT; their invoice amounts to \$1,100.36
  - Photocopying paper and files were purchased from The Stationery Shop; their invoice amounts to \$185.50.

All are paid electronically on 29 March. E-bank payment requests are completed for each of the creditors. The Directors, Mr. Nasectionmbe, approves payment and

signs the invoices as well as the payment request schedule. The Financial Administrator performs the electronic transfer. The bank's electronic transfer confirmations are signed by Mr Nasectionmbe. All documentation is filed.

- **30 March:** The Financial Administrator refunds the Donor Petty Cash with Cheque #025 to the amount of \$1,000.00
- During the month of March the petty cash and the cash book schedules are completed by capturing the data from the documentation of the month.
- **1 April:** The petty cash funds available are reconciled with the petty cash reconciliation of the month and confirmed by the relevant petty cash supervisor.
- **1 April:** The cash book is reconciled with the bank statements of the previous month. A bank reconciliation is written up. The documentation is presented to the relevant supervisor, revised and signed.
- All other monthly schedules are completed, reconciled, printed and filed.



Examples of some of the financial schedules completed according to the data of the case study are as follows:

*Case study 1* – Petty cash requisition

*Case study 2* – Confirmation of goods purchased

*Case study 3* – Financial Report workshop Helena

*Case study 4* – Financial report workshop Talismanis

*Case study 5* – Payslip

*Case study 6* – Petty cash summary donor

*Case study 7* – Petty cash summary own funds

*Case study 8* – Cash book donor

*Case study 9* – Cash book own funds

*Case study 10* – Summary monthly journal

*Case study 11* – Trial balance





## Case study 1 - Petty cash requisition

### CENTRE FOR CIVIC EDUCATION

## PETTY CASH REQUEST

**DONOR:**  **Date:**

**Transaction code:**

**Payable to:** Mr. Ben Kangueehi

**Description:** Advance - seminars at Helena and Talismanis

Per diems 300, rent of venue 100, refreshments 550, presenter fees 500

GL Department	GL Code	Account Name	\$		Initial of Recipient of Cash
		AMOUNT ADVANCED	1,450	00	B. Kangueehi
		AMOUNT REPAYD	42	00	A. van Wyk
		TOTAL EXPENSES	1,308	00	
			<b>1,308</b>	<b>00</b>	

Recipient of Cash  Date: 02.03.2010

Paid out by:  Date: 02.03.2010

## Case study 2 - Confirmation of goods purchased

### CENTRE FOR CIVIC EDUCATION

#### CONFIRMATION OF GOODS PURCHASED

(only used when no cash slip can be obtained)

**DATE:** 04.03.2010

QUANTITY	DESCRIPTION OF GOODS	PRICE PER UNIT	TOTAL
26	cooldrinks	6.00	156.00
8	packets of biscuits	9.00	72.00
<b>TOTAL</b>			<b>228.00</b>

SHOP STAMP



To be completed if no shop stamp available

**shop name** The Local Trader

**shop address** Erf 372, PO Box 2  
Helena

**shop owner name** Mr J. Hengari

J. Hengari 04.03.2010  
**shop owner** **Date**

B. Kanguuehi 04.03.2010  
**GPLT representative** **Date**

P. Nasectionmbe 08.03.2010  
**Directors** **Date**

## Case study 3 - Financial report workshop Helena

### CENTRE FOR CIVIC EDUCATION

#### FINANCIAL REPORT: WORKSHOP

<b>TOPIC / SUBJECT</b>	Grassroots Civic Education
<b>WORKSHOP HELD AT</b>	Helena, Omaheke Region
<b>WORKSHOP HELD BY</b>	Ben Kanguuehi
<b>DATE</b>	04.03.2010
<b>PARTICIPANTS</b>	24 (14 male, 10 female)
<b>DURATION</b>	09h00 - 17h00
<b>EXPENSES INCURRED</b>	

DATE	PAID TO	DETAILS / DESCRIPTION OF GOODS	PAID BY	AMOUNT
04.03.2010	XYZ 'own funds'	km fees (348km@\$2.00)	e-bank	696.00
04.03.2010	Mr. Kanguuehi	daily allowance (1½ days @ \$100)	petty cash	150.00
04.03.2010	The Local Trader	refreshments	petty cash	228.00
04.03.2010	Mr. Kanguuehi	presenter fee	petty cash	250.00
<b>TOTAL:</b>				<b>1,324.00</b>

B. Kanguuehi

Signature: Workshop Presenter

P. Nasectionmbe

Signature: Directors

## Case study 4 - Financial report workshop Talismanis

### CENTRE FOR CIVIC EDUCATION

#### FINANCIAL REPORT: WORKSHOP

**TOPIC / SUBJECT** Grassroots Civic Education

---

**WORKSHOP HELD AT** Talismanis, Omaheke Region

---

**WORKSHOP HELD BY** Ben Kanguuehi

---

**DATE** 05.03.2010

---

**PARTICIPANTS** 29 (13 male, 16 female)

---

**DURATION** 09h00 - 17h00

---

#### EXPENSES INCURRED

DATE	PAID TO	DETAILS / DESCRIPTION OF GOODS	PAID BY	AMOUNT
05.03.2010	XYZ 'own funds'	km fees (466km @\$2.00)	e-bank	932.00
05.03.2010	Mr. Kanguuehi	daily allowance (1½ days @ \$100)	petty cash	150.00
05.03.2010	General superstore	refreshments	petty cash	280.00
05.03.2010	Mr. Kanguuehi	presenter fee	petty cash	250.00
05.03.2010	Community hall	rental of venue	petty cash	100.00
<b>TOTAL:</b>				<b>1,712.00</b>

B. Kanguuehi

Signature: Workshop  
Presenter

P. Nasectionmbe

Signature: Directors

## Case study 5 - Payslip

### CENTRE FOR CIVIC EDUCATION

NAME: **BEN KANGUEEHI**

PERIOD ENDING:

31.03.2010

		\$
EARNINGS:	BASIC	5,000.00
	<i>PENSION ALLOWANCE</i>	0.00
	<i>MEDICAL ALLOWANCE</i>	0.00
	LEAVE PAY	0.00
	GROSS TOTAL	<hr/> 5,000.00
DEDUCTIONS:	SOCIAL SECURITY	(45.00)
	PAYE	(452.70)
	TOTAL PAYMENT / TRANSFER	<hr/> <b>4,502.30</b> <hr/>

#### Assumptions:

- 1 The organisation does not provide a pension fund.
- 2 The organisation does not provide a medical aid fund.
- 3 The organisation is obliged to register with the Social Security Commission, deduct and transfer contributions.
- 4 The organisation is obliged to register with the Receiver of Revenue, deduct and transfer PAYE.



GLOBAL  
PEACE  
LET'S TALK

## Case study 6 - Petty cash summary donor

### CENTRE FOR CIVIC EDUCATION

**PROJECT: THE DONOR**

**PETTY CASH**

**SUMMARY**

**MONTH**

March 2010

**DEPOSITS**

DATE	CHEQUE NO	DETAIL	\$	\$
01.03.2010		balance b/f	1,500.00	
08.03.2010		cash refund from trainer - Helena + Talismanis	42.00	
25.03.2010		cash refund from program manager - Okahandja workshop	5.50	
30.03.2010	# 0125	Cash	1,000.00	
		sub-total	<b>2,547.50</b>	

**PAYMENTS**

DATE	RECIPIENT		
02.03.2010	trainer advance Helena + Talismanis	1,450.00	
25.03.2010	program manager - Okahandja workshop	100.00	
		sub-total	<b>1,550.00</b>

**BALANCE END OF PERIOD**

**997,50**

# Case study 7 - Petty cash summary own funds

## CENTRE FOR CIVIC EDUCATION

### OWN FUNDS

### PETTY CASH SUMMARY

MONTH

March 2010
------------

#### DEPOSITS

DATE	CHEQUE NO	DETAIL	\$		\$
01.03.2010		balance b/f	1,436.00		
08.03.2010		trainer refunds part of fuel advance for Helena + Talismanis	160.00		
18.03.2010		staff telephone refund	75.00		
		sub-total	<b>1,671.00</b>		

#### PAYMENTS

DATE		RECIPIENT	
02.03.2010		trainer advance for fuel Helena + Talismanis	1,000.00
23.03.2010		trainer advance for fuel Rehoboth	200.00
29.03.2010		general dealer	35.60
		sub-total	<b>1,235.60</b>

**BALANCE END OF PERIOD** 435.40



## Case study 8 - Cash book donor

### CENTRE FOR CIVIC EDUCATION

THE DONOR

CASH BOOK

DATE	CH. NO.	DETAIL	COMM	BANK	RECON	INCOME	CAPACITY STRENGTHENING OF CSOs
				bank account number 264 961 8883			
01.03.2010		balance b/f	45,638.00				
08.03.2010	e-bank	own funds' - km fees - Helena		696.00			
08.03.2010	e-bank	own funds' - km fees -		932.00			
10.03.2010	e-bank	Talismanis Windhoek venue		1,750.00			1,750.00
16.03.2010	transfer	the donor - project funding	30,000.00			(30,000.00)	
24.03.2010	e-bank	own funds' - staff remuneration support		8,000.00			
25.03.2010	e-bank	the trainer, ½ day per diem Rehoboth		50.00			
25.03.2010	e-bank	own funds' - km fees Rehoboth		348.00			
29.03.2010	e-bank	The Catering Company - Okahandja		2,100.00			2,100.00
29.03.2010	e-bank	the program manager - km fees Okahandja		284.00			284.00
30.03.2010	# 025	cash - petty cash		1,000.00			
31.03.2010		interest received	18.66				
31.03.2010		bank charges		168.20			
31.03.2010		balance per cash book		60,328.46			
			75,656.66	75,656.66		(30,000.00)	4,134.00
<b>BANK RECONCILIATION</b>							
balance per cash book					60,328.46		
balance per bank statement							94.50
					60,328.46		

(30,000.00)

4,228.50

**CASH BOOK JOURNAL MARCH 2010**  
 CAPACITY STRENGTHENING OF CSOs  
 GRASSROOTS INFORMATION  
 SEMINARS STAFF REMUNERATION  
 SUPPORT OTHER DIRECT COSTS  
 INCOME  
 ADVANCE TRAINER  
 ADVANCE PROGRAM  
 MANAGER PETTY CASH  
 INTEREST  
 RECEIVED BANK

GRASSROOTS INFORMATION SEMINARS	STAFF REMUNERATION SUPPORT	OTHER DIRECT COSTS	PETTY CASH	SUNDRY	DETAIL
696.00					
932.00					
	8,000.00				
50.00					
348.00					
			1,000.00		
				(18.66)	Interest received
		168.20			
2,026.00	8,000.00	168.20	1,000.00	(18.66)	
			(1,450.00)	1,450.00	advance trainer
			42.00	(42.00)	trainer refund
			(100.00)	100.00	advance program manager
				(94.50)	advance program manager
			5.50	(5.50)	advance program manager
150.00				(150.00)	advance trainer - Helena
228.00				(228.00)	advance trainer - Helena
250.00				(250.00)	advance trainer - Helena
150.00				(150.00)	advance trainer - Talismanis
280.00				(280.00)	advance trainer - Talismanis
250.00				(250.00)	advance trainer - Talismanis
100.00				(100.00)	advance trainer- Talismanis
3,434.00	8,000.00	168.20	(502.50)	(18.66)	

4,228.50	
3,434.00	
8,000.00	
168.20	<b>15,782.70</b>
	30,000.00
1,450.00	1,450.00
100.0	100.00
	502.50
	18.66
14,690.46	
<b>32,071.16</b>	<b>32,071.16</b>

## Case study 9 - Cash book own funds

### CENTRE FOR CIVIC EDUCATION

BANK ACCOUNT: OWN FUNDS			bank account number 800 244 5698					
CASH BOOK								
DATE	CH. NO.	DETAIL	COMM	BANK	RECON	INCOME	SALARIES	RENT
01.03.2010		balance b/f	60,000.00					
01.03.2010	e-bank	Mr Houseowner - rent paid		2,500.00				2,500.00
12.03.2010	# 124	Telecom		845.10				
08.03.2010	e-bank	project km fees rec Helena	696.00					
08.03.2010	e-bank	project km fees rec Talismanis	932.00					
24.03.2010	e-bank	The Donor - overhead support	8,000.00				(8,000.00)	
25.03.2010	e-bank	project km fees rec Rehoboth	348.00					
25.03.2010	e-bank	Alma van Wyk		3,600.00			3,600.00	
25.03.2010	e-bank	Lucia Abrahams		5,200.00			5,200.00	
25.03.2010	e-bank	Ben Kanguuehi		4,502.30			4,502.30	
25.03.2010	e-bank	Paulus Nasectionmbe		6,200.00			6,200.00	
25.03.2010	# 0125	Receiver of Revenue		3,200.00			3,200.00	
25.03.2010	# 0126	Social Security Commission		432.00			432.00	
29.03.2010	e-bank	IT Supplies		250.00				
29.03.2010	e-bank	The Mechanic		1,100.36				
29.03.2010	e-bank	Stationery Shop		185.50				
31.03.2010		interest received	25.80					
31.03.2010		bank charges		127.55				
31.03.2010		balance per cash book		41,858.99				
			70,001.80	70,001.80		0.00	15,134.30	2,500.00
<b>BANK RECONCILIATION</b>								
		balance per cash book		33,858.99				
		balance per bank statement		33,858.99				
						0.00	15,134.30	2,500.00

- CASH BOOK JOURNAL MARCH 2010**
- BANK CHARGES
  - SALARIES
  - RENT
  - TELEPHONE & POSTAGE
  - WATER & ELECTRICITY
  - CLEANING
  - IT SUPPORT
  - TRAVEL & TRANSPORT
  - OTHER DIRECT COSTS
  - ACCOUNTS RECEIVABLE THE TRAINER
  - ACCOUNTS PAYABLE
  - INCOME
  - PETTY CASH
  - INTEREST RECEIVED
  - BANK

Fundamentals of Chapters Management

TELEPHONE & POSTAGE	WATER & ELECTRICITY	CLEANING	IT SUPPORT	TRAVEL & TRANSPORT	OTHER DIRECT COSTS	PETTY CASH	SUNDRY	DETAIL
845.10				(696.00)				
				(932.00)				
				(348.00)				
			250.00	1,100.36				
					185.50			
							(25.80)	interest received
							127.55	bank charges
845.10	0.00	0.00	250.00	(875.64)	185.50	0.00	101.75	
						(1,000.00)	1,000.00	advance trainer Helena + Talismanis
						(200.00)	200.00	advance trainer Helena + Talismanis
(75.00)						75.00		
					35.60	(35.60)		
				840.00			(840.00)	advance trainer Helena + Talismanis
				200.00			(200.00)	advance trainer Helena + Talismanis
						160.00	(160.00)	advance refund trainer Helena + Talismanis
770.10	0.00	0.00	250.00	164.36	221.10	(1,000.60)	101.75	

127.55	
15,124.30	
2,500.00	
770.10	
250.00	
164.36	
221.10	
1,200.00	1,200.00
	1,000.60
	25.80
	<b>18,141.01</b>
<b>20,367.41</b>	<b>20,367.41</b>

## Case study 10 - Summary monthly journal

### CENTRE FOR CIVIC EDUCATION

#### OWN FUNDS

Y/E 2010

DATE	DETAIL	TOTAL	RESERVES	BANK	PETTY CASH	MOTOR VEHICLES	ACC DEPR MOTOR VEHICLES	EQUIPMENT	ACC DEPR EQUIPMENT	ACC RECEIVABLE
01.01.2010		0.00	(226,500.00)	60,000.00	1,436.00	150,000.00	(20,000.00)	40,000.00	(5,000.00)	
31.01.2010	January	0.00		(18,141.01)	(1,000.60)					
28.02.2010	February	0.00								
31.03.2010	March	0.00								
30.04.2010	April	0.00								
31.05.2010	May	0.00								
30.06.2010	June	0.00								
31.07.2010	July	0.00								
31.08.2010	August	0.00								
30.09.2010	September	0.00								
31.10.2010	October	0.00								
30.11.2010	November	0.00								
31.12.2010	December	0.00								
		(0.00)	(226,500.00)	41,858.99	435.40	150,000.00	(20,000.00)	40,000.00	(5,000.00)	0.00

ACC PAYABLE	INCOME	INTEREST REC	SALARIES & WAGES	RENT	TELEPHONE & POSTAGE	WATER & ELECTRICITY	IT SUPPORT	TRAVEL & TRANSPORT	OTHER DIRECT COSTS	BANK CHARGES
		(25.80)	15,134.30	2,500.00	770.10		250.00	164.36	221.10	127.55
0.00	0.00	(25.80)	15,134.30	2,500.00	770.10	0.00	250.00	164.36	221.10	127.55

## Case study 11 - Trial balance

### CENTRE FOR CIVIC EDUCATION

#### TRIAL BALANCE AS AT

31.03.2010

MOTOR VEHICLES	150,000.00	
ACC DEP - MOTOR VEHICLES	(20,000.00)	130,000.00
EQUIPMENT	40,000.00	
ACC DEP - EQUIPMENT	(5,000.00)	35,000.00
BANK ACCOUNT		41,858.99
PETTY CASH		435.40
RESERVES		226,436.00
ACCOUNTS RECEIVABLE		
ACCOUNTS PAYABLE		
<b>INCOME</b>		
DONOR FUNDING INCOME		
INTEREST RECEIVED		25.80
<b>EXPENSES</b>		
BANK CHARGES		127.55
ELECTRICITY & WATER		-
IT SUPPORT		250.00
OTHER DIRECT COSTS		221.10
RENT		2,500.00
SALARIES & WAGES		15,134.30
TELEPHONE & POSTAGE		770.10
TRAVEL, TRANSPORTATION		164.36
		<b>226,461.80</b>
		<b>226,461.80</b>

## **Bibliography**

Shapiro, Janet. Financial Control and Accountability Toolkit. CIVICUS, Johannesburg.

USAID. Disbursement Report Form.













BAL  
ACE  
TALK



LET'S TALK



ISBN: 978-99916-865-3-0

