



**SUSTAINABLE DEVELOPMENT INSTITUTE
DUARZON, MARGIBI COUNTY**

FINANCIAL MANAGEMENT TRAINING MANUAL

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INTRODUCTION

The Sustainable Development Institute (SDI) is a local civil organization and a member of Friends of the Earth International. SDI works to transform decision-making processes of natural resource management so the benefits are shared equally with host communities. SDI works largely with local communities to achieve its strategic goals.

The activities under this contract is funded by the European Delegation Office and implemented by Stitching FERN, Sustainable Development Institute, Foundation for Community Initiatives, National Union of Community Forestry Management Bodies (NUCFMB), Civil Society – Independent Forest Monitors (CS-IFM), and National Union of Community Forestry Development Committees (NUCFDC). It focuses on Strengthening the capacity of a limited number of communities that have a CFMA. The aim is to ensure that these CFMAs are well managed and benefit their communities, while also setting an example for others. The project also works towards effective monitoring and implementation of the VPA (Voluntary Partnership Agreement) through coordinated joint action by Liberian NGOs – SDI, FCI, CS-IFM and LFMW - and community-based organizations (CBOs) - NUCFMB, NUCFDC and the communities they represent. Note: in this project proposal the term NGO refers to non-community-based organizations; CBOs refers to community-based organizations and CSOs refers to both.

As part of efforts to support the capacity of the CFMBs to manage their financial resources, SDI provides trainings and resources to enhance the efficiency and timeliness of financial resources. Among the financial and management resources to be provided to CFMBs is this Bookkeeping and Financial Management Manual.

. The information provided in this manual would go a long way in assisting CFDCs account and manage their finances and grants received. By accounting for funding in a more systematic way, enhanced trust would be created between the CFMBs management and community members.

This manual is simple to use and can serve as a reference guide after the training. This manual is not conclusive neither was it intended to be comprehensive. The knowledge obtained from this training manual can be build upon through further training, practical demonstration of the concepts, and personal pursuit of deeper understanding of bookkeeping.

As a means of ensuring that the training is smoothly conducted, the following should be considered.

Participants: Financial secretaries/bookkeepers of CFMBs and CFDCs, heads of CFDCs and CFMAs, Officials of CFMBs, and other that might have interest.

Materials: Flip charts or white board, chalk, duster, pen, pencils, and exercise books for participants.

MODULE ONE: INTRODUCTION TO BOOKKEEPING

Objective: This section will provide an overview of bookkeeping with the intent of introducing participants to the basic definition of the concepts of bookkeeping.

1.1 Introduction

It is important for local community based organizations like Community Forestry Management Bodies to systematically write down how much money comes in and how much money goes out of their institutions. This provides the appropriate basics for providing accurate financial information to community members, partners, the government, and all those who are interested in the financial reports.

There are several reasons why it is appropriate to keep proper records of financial transactions. Firstly, it helps the leadership of the CFMBs to be informed about the status of their institutions financial status. Secondly, such information helps the members of CFMBs to make planning decisions. Finally, such information provides the basics for evaluating the management of the CFMBs as per their stewardship responsibilities.

This module provides an overview of bookkeeping and its importance in ensuring that the Community Forestry Funds are appropriately accounted for. Proper bookkeeping and reporting helps to build trust among the CFMBs, community members, and the Government Agencies. Where groups of people work together, lack of a proper bookkeeping system often leads to mistrust and accusations between group members.

1.2 Overview of Bookkeeping

What is bookkeeping? The bookkeeping system refers primarily to recording the financial effects of financial transactions only. That is bookkeeping is about keeping records of financial transactions which includes recording the flow of money into and out of an organization, business, or any institution. Bookkeeping means that you write down all the money that comes into your organization and all the money that goes out of your organization.

Whenever your organization pay out money or receive money documents are produced. For example, when money is deposited in your organization bank account, there are deposit slips or transfer documents. When you pay out money for services for the CFMB, you issue receipts. Other times you receive invoices, credit notes, signing sheets for transportation, and others. These documents are what you use to record your money going in and out of your organization.

As such, Bookkeeping involves, first of all, recording the details of all of these source documents into special books called books of entry or journals. For example, all cash receipts and payments are recorded in the cash book or journal. All purchases on credit are recorded in a credit book or credit journal.

1.3 Why do we need book keeping

- To be accountable to the people who give us money with good financial reporting systems, it is easier to show donors and supporters that we are using their money for the purpose intended.
- We have a moral obligation to show that funds raised in the beneficiary community's name are being used correctly.
- As part of the registration process, organizations are required to be accountable for the money they raise and spend.
- Good financial management includes internal controls. When these are in place they help to stop fraud and protect everyone involved, as well as the assets.
- We have to plan to make sure we have enough money to carry out our objectives now and in the future. Budgets help us plan for projects and manage cash. Financial information helps us to identify potential financial risks and the need for savings (reserves). We need financial information about where we are now and where we want to be in the future, to help identify our long-term financing needs.
- Complete, up-to-date and timely project monitoring reports enable project managers to plan their activities according to the budget available and take decisions to fulfil objectives. Good cashflow management enables activities to be planned, items purchased when needed and staff paid on time.
- Good financial management will give the management team and Board the information they need to ensure they are fulfilling the objectives of the organization and following the strategic plan.
- Organizations that keep good accounts, create great budgets and produce accurate and timely financial reports, inspire confidence and trust in their stakeholders. This gives them an advantage over their competitors.
- Organizations that present good budgets and audited financial statements with funding proposals are more likely to receive a favorable response.
- Financial information allows us to compare and assess spending plans to make sure we make efficient, effective and economic use of financial resources.

1.4 Dangers of not having a good bookkeeping system

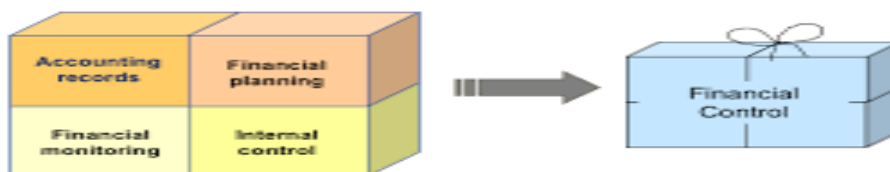
- a. Organizational assets will be put at risk of theft;
- b. There will be more risks of fraud or abuse;
- c. Money may not be spent in accordance with the organizations objectives or donors' wishes and the competence of managers may even be called into question.

1.5. Tips for Good Bookkeeping

As we gradually build up our understanding about the concepts of bookkeeping, it is important to bear in mind the following important tips in Bookkeeping:

- ✓ **Record everything** that you do. You have to keep a record of everything that got to do with paying or receiving money. That means that another person must be able to follow all of your financial transactions just from what you have recorded, with no additional explanation.
- ✓ **Be organised.** Make sure that all documents are properly filed, and all procedures properly followed
- ✓ **Be consistent.** If you do things one way in one month, then do them the same way in the next month (unless there is a good reason for changing them).
- ✓ **Keep the books up to date.** Do not let them go for more than a week without making sure that they are up to date. Try to fill in all the proper books as the transactions happen, without letting a backlog build up.
- ✓ **Do not get stuck on one point.** If one thing is being very difficult, then make a simplifying assumption that will allow you to move on. Make a note of it, and discuss it with your manager or an accountant as soon as possible.

1.6 Next steps: Building of a Financial Management System



Accounting records also provide valuable information about how the organisation is being managed and whether it is achieving its objectives.

Financial planning Linked to the organisation's strategic and operational plans, the budget is the cornerstone of any financial management system and plays an important role in monitoring the use of funds.

Financial monitoring Providing the organization has set a budget and has kept and reconciled its accounting records in a clear and timely manner, it is then possible to produce financial reports for all stakeholders. Internal budget monitoring reports help managers to monitor the

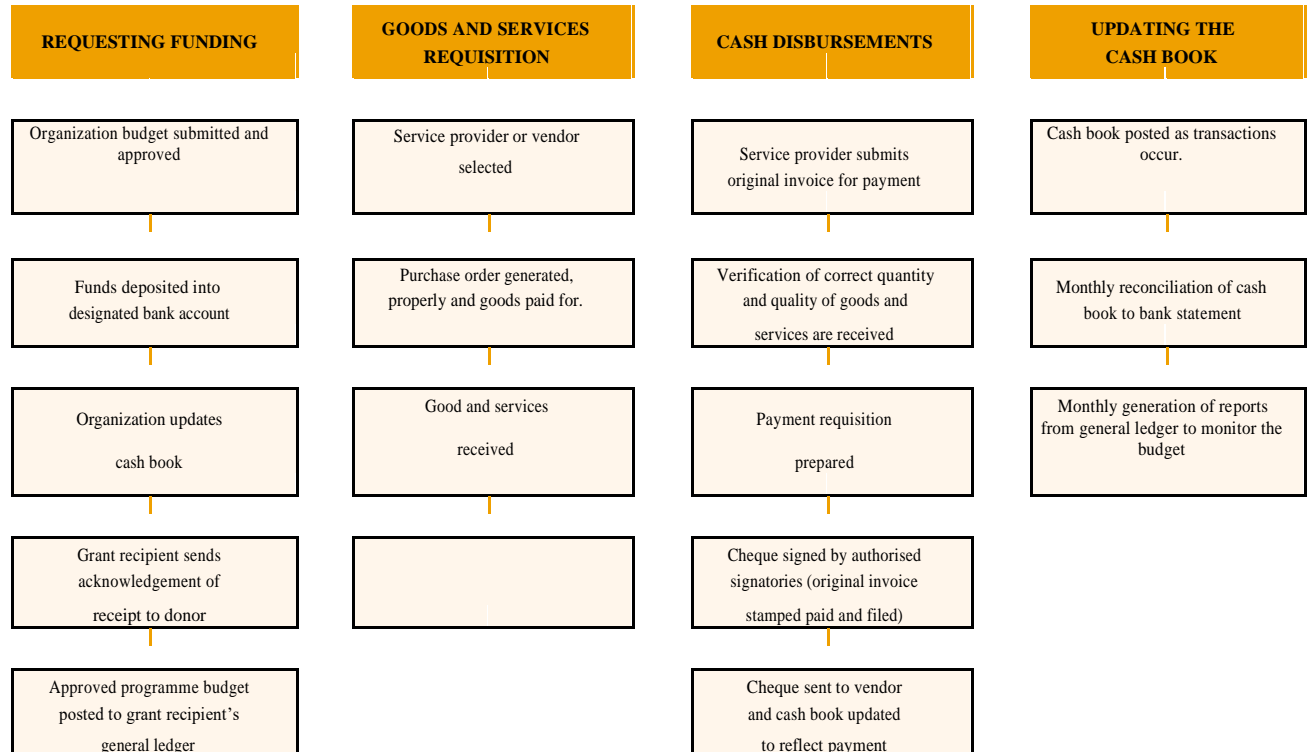
progress of projects and annual financial statements provide accountability to external stakeholders.

Internal control A system of controls, checks and balances – collectively referred to as internal controls – are put in place to safeguard an organization’s assets and manage internal risk. Their purpose is to deter opportunistic theft or fraud and to detect errors and omissions in the accounting records. An effective internal control system also protects staff involved in financial tasks.

1.6 Major accounting tools used in Financial Management:

- a. **Cash books** – used to record all cheque and bank transactions (both income and expenditure).
- b. **Budget** - Estimate of all income and expenditure over a specified period.
- c. **Fixed assets Registrar** - manual records of all assets.
- d. **Travel Forms** - Record transactions relating to travel.
- e. **Procurement Forms** - Record transactions for purchase of goods and services.
- f. **Payroll** - Record transactions relating to compensation of employees.

1.7 Diagram overview of a Financial System (copied from Mango – Humentum)



1.4 Review Question

- ✓ What do we refer to as bookkeeping?
- ✓ Why do we think that bookkeeping is important?
- ✓ How can bookkeeping help build trust between the CFMB and the community members?

MODULE 2: RECORD MANAGEMENT

Objective: The intent of this section is assist participants to manage financial records in such a way that leads to retrieval of financial information and build trust in the communities. At the end of this module, participants will be able to describe the kind of records that are worth keeping, state some results of not keeping good records, and take some practical step to organize and properly keep records of their various CFMBs

2.1 What it record keeping?

Record keeping refers to the orderly and disciplined practice of storing all the financial records of an organization including receipts, deposit slips, journals, financial reports, bank statement, and others. Records creation results directly from transactions that an organization gets engaged in. Records that will meet accountability requirements and other needs of an organization need to be managed and secured properly.

Keeping record can be as simple as using manila folder filing systems to complex on-line electronic systems. Whether simple or complex, a record keeping system must be easy to use. Your record keeping system should ensure that documents are safe and that you can easily get documents you need from the files. Most importantly, the record keeping system you choose must be suited to your organization needs such as the type, size, and complexity of your organization, as well as your organization available resources.

There are a lot of disadvantages of not keeping financial records. Proper bookkeeping is important to keeping track of funds in and out of an organization and also providing information about how the funds are being used and to also help decision maker decide how to plan for the future.

When you maintain proper records of your business transactions, you will be properly positioned to carry out official business analysis and see how your business is fairing. The purpose of bookkeeping is to help you manage your business and also to allow tax agencies to evaluate your business venture. As long as your book keeping achieves both of these objectives, you are in the right direction. Any financial institution who wants to do business with you must request your business records. Your ability to make it means you are serious about your business.

2.2 Benefits of keeping financial records for CFMBs:

- ✓ You will know how much money you have received;
- ✓ How much money you have spent and how you have spent it;
- ✓ You will be able to make better decisions on what to buy and sell;

- ✓ You can keep records of what you purchase on credit, so that people cannot cheat you and that you can also pay back your debts on time;
- ✓ You will keep record of outstanding funds due the CFMB.
- ✓ You can keep records of money coming in and going out of a group- project, and therefore prevent misuse of the money and avoid mistrust amongst group members.

2.3 Recommended documents for a good record keeping system include:

- ✓ Organization's bank account information including account details, signatories to the account, signatory mandate, bank statement, and communications to the bank;
- ✓ An income and expense ledger to record all cash transactions by date and category – this is also referred to as cash books. This provides information per date of all cash coming in and going out of the organization. It also provides names of payee or sources of funds as well as daily running balances of the organization's cash.
- ✓ Assets or inventory register: Listing of all the assets of the organization including computers, office furniture, etc
- ✓ Credit Book – records all money that other people or organizations owe to the organization;
- ✓ Debtor book – records all money that are owed by the organization to other parties;
- ✓ Copy of all financial reports made to the organization.

Based on the organization needs, more books of record or different records could be kept.

2.4 Filing

Filing means keeping documents in a safe place and being able to find them easily and quickly when you need them. A filing system is the central record-keeping system for an organization. It helps you to be organized, efficient and transparent. It also helps all people who should be able to access information to do so easily. It is always a pleasure when someone looks for something and is able to find it without difficulties.

What do we file? We file documents that are sent to us by other people or organizations. We also file records of all our organizational activities including receipt, invoices, contracts, cashbooks, bank statements, etc.

When do we file? This depends on how busy your office is. In very busy organizations filing is done at least every day and usually first thing in the morning. In a small or less busy office you could file once or twice a week.

Equipment used for filing:

Filing Cabinet - It is used to keep flat files and suspension or hanging files;
Filing shelves - It is used to file box files;
Box file - This is a big file that is used to keep big documents that cannot go into a filing cabinet. They are kept in shelves.

There should be a separate file of documents arranged either by months (quarter or year) or by activities, with dividers in it for each different currency such as Liberian Dollars and United States Dollars. The documents filed for each transaction should include: payment voucher, and supplier receipts, invoices, or other evidence of payment, all stapled together. The documents should be filed in order of payment voucher.

It should be easy to find the supporting documents in the files for any entry in a cashbook or bankbook. Any accounts office is likely to have monthly files of supporting documents along its book shelves.

2.4 Review Questions

- ✓ Why is it important to keep financial records safe and secure?
- ✓ What are some important financial records it would be advisable to keep?

Module 3 - BUDGETING

Objective: To provide participants with an overview of the budget process.

3.1. What is a budget?

A budget is a financial plan for a period of time such as a week, month, year, or several years. It tells you how much money the CFMB thinks it will receive, and how it plans to spend or share the money for a specific period of time.

Creating a budget starts with planning. You start with setting your goals, then you draw up a plans about how those goals will be achieve and how how much you intent to spend and receive for each activity or goal. Spending and income targets need to be something that is real and that can be achieved.

Though there are different types of budgets, for CFMBs you will prepare the income and expenditure budget. This budget set out the how much money is expected to be received by the CFMB and how the CFMB intend to spend that money. The CFMB could prepare such a budget for a year and in addition could also breakup the annual budget into shorter periods such as by month or quarter.

3.2 The Budget Planning Process:

It is best to approach the budgeting process as an organized and structured group exercise. The budget process involves asking and answering a number of questions including:

- What are the goals of the CFMB?
- What activities will be involved in achieving these objectives?
- What resources will be needed to perform these activities?
- What will these resources cost and where will the funds come from?
- What is expected to be achieved?

Since many different people will need to use the budget for different purposes, they should be able to understand it (and adapt it, when necessary).

3.3 Getting the Budget Done There are several stages involved in constructing a budget before it can be submitted for approval to the governing body, so it is a good idea to prepare a budgeting timetable and commence the process early.

Budget Headings - This section of the budget state the type of budget and the period that the budget covers.

Budget/Activity Lines - when setting a budget for the first time or when reviewing a budget, it is important to pay attention to how you group together similar activities, this is because these

activities which would become budget line items also appear in the cash book and in the financial reports.

Estimating Revenue and Expenses - It is important to be able to clearly and reasonably estimate the amount of money you are expected to receive and the amount of money your CFMB intend to spend on group items.

Contingencies (Miscellaneous) - Contingencies (miscellaneous) are items included in a budget for unforeseen expenses, it is best to include these for the budget line that might need a cushion. The amount set aside for contingencies should be a small amount.

3.4 Example of a Budget

1. First – Communities state what they intend to achieve for a year

Eg: Receive payment due from the logging companies;

Run the Community CFMB

Build community latrines in four communities

Do side brushing of 10 Kilometers of roads

Build and install 5 culverts

	Activity	Details	Units	Units	Total
Income	Logging Company Payment				\$40,000
Expense	Office Cost	Bank account maintenance	\$25	12 months	\$300.00
Expense	Office Cost	Salary	\$100	12 months	\$1,200
Expense	Office Cost	Stationery	\$25	12 months	\$300
Expense	Office Cost	Transportation	\$50	12 months	\$300
Expense	Office Cost	Community Meetings	\$500	4 meetings	\$2,000
Expense	Office Cost	Office Furniture	\$50	12 months	\$600
Expense	Build Community Latrines	Build latrines in four towns	\$2,000	4 latrines	\$8,000
Expense	Do side brushing	Material side brushing	\$5000	Bulk	\$5000
Expense	Do side brushing	Labour	\$7,000	Bulk	\$5,000
Expense	Install ten converts	Purchase of converts	\$2,000	10	\$10,000
Expense	Install ten converts	Labour cost – converts	\$5,000	Bulk	\$5,000

CFMB**Budget for the period January 2017 to December 2017****Income**

Funds from Logging Companies ----- **\$40,000.00**

Expenses:

Office Cost ----- \$4,900.00

Community latrines ----- \$8,000.00

Side Brushing ----- \$10,000.00

Install Culverts ----- \$15,000.00

Miscellaneous ----- \$2,100.00

Total Expenses: ----- **\$40,000.00**

Balance ----- **0**

Note: During the year, there may be information that the budget needs to be revised. The management team should revise the budget accordingly and inform members of the CFMB of the changes.

Remember: The budget is the CFMB's authorization to expend funds and a way to stop the unauthorized expenditures of funds. Expenditures should regularly be compared with budgeted amounts.

3.5 Review Questions:

- ✓ Why is a budget important?
- ✓ Give instances where you think there might be a need to spend more than was budgeted for an activity.
- ✓ What are contingencies and why is it important to budget for them?

MODULE 4: RECORDING FINANCIAL TRANSACTIONS

Objective: to introduce participants to the cashbook and recording transactions.

4.1 Introduction:

All transactions must be recorded in cashbooks or bankbooks. However, each transaction must also have supporting documents filed for it, as well. Supporting documents include internal documents like vouchers and requisition or authorisation forms, as well as external documents like receipts or invoices from suppliers, and bank statements. These files of supporting documents are a crucial part of any set of accounts.

4.2 What is a cashbook?

A cashbook is a book or journal that you use to record of all your financial transactions. It includes both payments you make and receipts. A cashbook is the most important record book in bookkeeping. The cashbook records the basic financial information that you need for any financial analysis.

The following information should be entered in the cashbook for each transaction:

- the date
- Check Number (For check transactions)
- a description
- and the amount
- Balance
- (Activity Line)

EXAMPLE

Name of CFMB					
Address:					
BANK CASH BOOK – Bank Account					
Date	Check no	Description	Payment	Receipt	Balance

Name of CFMB				
Address:				
CASH BOOK – Cash in Safe				
Date	Description	Payment	Receive	Balance

The Bank cashbook for bank transactions

Each CFMB is to open a bank account a local bank. This will help keep the organization funds safe, and allow it to make payments using a cheque book as well as by using cash.

Cashbook for cash in the safe - It is important to remember that transfers made between cash and bank must be recorded in **both account books**. In the example, cash is deposited in the bank. But, it is also true for cash that is withdrawn from the bank and held in the cash account.

4.3 Handling different currencies

Separate books must be used to record cash and bank transactions. Separate books must also be used for each different currency that you use. This allows you to keep track of the balance of each fund of money that you are using. For instance, suppose you spend \$3,000 United States dollars and \$14,000 Liberian dollars, you cannot account for both the United States Dollars and the Liberian Dollars in one cashbook – you would be trying to add up different currencies, which does not work.) So you will have to open separate cash books for both the United States Dollars and the Liberian Dollars.

4.4 Recording transactions in the cashbook

Examples:

1. January 9, the CFMB received \$20,000 from Logging companies and was deposited in the bank account. Source document: (Bank deposit slip)
2. January 12, Paid cheque No. 0001 in the sum of \$200.00 for stationery (Source document: check copy, voucher, receipt)
3. January 15, Feeding for first community meeting, \$500.00 on cheque No. 0002 (Source Documents: voucher, copy of cheque, receipts)
4. January 19, Payment for office furniture, \$500.00 on cheque No.0003 (Source document: receipts, voucher, and bank check copy)
5. January 20, – cheque no. 0004 in the sum of \$1,000.00 was withdrawn and place in the safe. (source document: Voucher and copy or check)
6. January 25, – Part payment for the construction of five culverts, \$5,000.00 on cheque no. 0005(source documents – Receipt, voucher and copy of cheque)
7. January 27, – Paid \$150.00 for scratch cards from the safe. (Source documents: voucher and receipt)
8. January 28, – Paid cheque no. \$100.00 for salary with cheque no. 0006(source document: salary signature form, copy of cheque, and sheet)
9. January 29, – Paid \$10.00 from cash in safe as transportation to staff to get to the bank (source document: receipt and voucher)
10. January 31, – Bank charge of US\$25.00 (source document – bank statement)

Name of CFMB Address: Bank Cashbook – Bank Account						
Date	Check no	Description	Receipt (Add)	Payment (Minus)	Balance	Activity
Jan 9		Received from logging company	\$20,000		\$20,000	Income
Jan 12	0001	Payment for stationery		\$200	\$19,800	Office Cost
Jan 15	0002	Community meeting feeding		\$500	\$19,300	Office Cost
Jan 19	0003	Office Furniture		\$500.00	\$18,800	Office Cost
Jan 20	0004	Withdraw cash for safe		\$1,000	\$17,800	
Jan 25	0005	Culvert part payment		\$5,000	\$12,800	Culvert
Jan 28	0006	Salary for January		\$100.00	\$12,700	Office Cost
Jan 31		Bank charges		\$25.00	\$12,675	office Cost

Name of CFMB Address: CASH BOOK – Cash in Safe					
Date	Description	Receipt (Add)	Payment (Minus)	Balance	Activity Line
Jan 20	Deposit in safe	\$1,000		\$1,000	
Jan 27	Scratch cards payment		\$150	\$850	Miscellaneous
Jan 29	Transportation		\$10	\$840	Office Cost

Note: The closing balance January is the combination of the amount in the bank and the amount in the safe which is **\$13,515 (Bank Balance, \$12,675; Safe, \$840.00)**.

2.1 Summarizing the Cash Book

We use books called ledger to summarize accounts. Examples of ledgers are as follows:

Income: Payment from Logging Companies			
Date	Description	Amount	Total
Jan. 9	Receipt from Logging companies	\$20,000	\$20,000

Expense: Office Cost			
Date	Description	Amount	Total
January 12	Payment for stationery	\$200	\$200
January 15	Payment for community feeding	\$500	\$700
January 19	Payment for office furniture	\$500	\$1,200
January 28	Payment for salary	\$100	\$1,300
January 29	Transportation	\$10	\$1,310
January 31	Bank Charges	\$25	\$1,335

Expense: Culvert			
Date	Description	Amount	Total
Jan 25	Part payment for culverts	\$5,000	\$5,000

Expense: Miscellaneous			
Date	Description	Amount	Total
Jan 27	Purchase of scratch cards	\$150	\$150

Expense: Community Latrine			
Date	Description	Amount	Total

4.6 Review Questions:

- ✓ Why is there a need to have a separate cashbook from bank transactions and a separate cash book for cash transactions?
- ✓ How do you deal with two currency (Liberian Dollars and US dollars issues).
- ✓ What are some supporting documents needed for a transaction to be recorded in the cashbook?

MODULE 5 FINANCIAL REPORTING

Objective: To introduce participants to the preparation of financial reports with examples.



5.1 Summarising information

We have so far looked at how to keep proper supporting documents and record them in cashbooks. Keeping good records is the foundation stone of any accounting system. However, on their own cashbooks only have limited value. They only give details of individual transactions. They do not provide any overall picture of how much money was spent on what, and where money was received from. To do this, the information contained in the cashbooks must be summarised.

5.2 Grouping by Activities

Like items that we spend money on or sources we get money from are grouped together into categories. The categories used to summarise cashbooks are labelled with account codes or activity lines

The financial report shows a summary of the receipts and payments made by the organization. The information will be taken from both the cashbook (bank account) and Cash book for cash in safe. The income and expenditure will be summarised, using the account codes or categories.

From the summary, it is easy to see how much has been spent and received. It provides a clear breakdown of how the money was spent, and where it came from. This is useful for a manager, who can monitor the overall financial situation

Note: Transfers are not income or expenditure to the project – it is just like moving money from one pocket to another, so transfers cancel each other out in the summary.

5.3 Producing Reports

The summary may contain details from many cashbooks and many months, but the final column gives the big picture that goes to the financial report. An example is given on the sheet ‘receipts and payments report’. You can see how the information produced here is useful for managers, and how it could be compared easily against an overall budget.

- The Finance Officer or a delegated person should prepare a set of financial reports for either for a month or quarterly for distribution to the members of Community Forestry Development Committee and the community.

- At the end of the year, a year-end financial report should be prepared summarizing the total income and expense activity for the year. This report will be initially reviewed by the CFMB members and then by the Chairman of the CFMB, prior to distribution at the annual meeting.
- The reports should be signed by the person who maintains the accounts, as well as the Chairman of the CFMB, certifying that the reports are accurate to the best of the knowledge of the person who maintains the account and the Chairman of the CFMB.
- The reports should be signed by the person who maintains the accounts, as well as the Chairman of the CFMB, certifying that the reports are accurate to the best of the knowledge of the person who maintains the account and the Chairman of the CFMB.
- Reconciliation of Cash in office/Safe/Cashbox must be completed and filed at the end of every month.
- Budget versus Actual analysis should be done monthly. Narrative/Justification for overspending/under spending per budget line should be taken into account

5.4 Types of Reports and Examples

i. Income and Expenditure Report

In this report, we will summarize the report from the ledgers in a report form

Name of CFDC: CFMB

Name of Report: Report on Income and Expenses

Period: January 1, 2017 to January 31, 2017

Date of Report: February 5, 2017

Income:

Receipt from Logging Company ----- \$20,000

Total Income ----- \$20,000

Expenses:

Office Cost ----- \$1,335

Culvert Construction and Installation ----- \$5,000

Miscellaneous ----- \$150

Total Expenses ----- \$6,485.00

Balance ----- \$13,515.00

Signature of Preparer: _____ **Signature of CFMB Head:** _____

ii. Budget Performance Report

This report compares the amount we budgeted with the actual we receive or spend per our planned activities. Firstly we list all the activities lines and the amounts from the budget we

developed. Secondly we state the actual from the financial reports for the activities lines. Finally we find the difference between the amount we budgeted and the actual we spent or received.

Name of CFDC: CFMB

Name of Report: Budget Performance Report

Period: January 1, 2017 to January 31, 2017

Date of Report: February 5, 2017

	Activity Line	Budget	Actual	Difference
Income	Receipt from Logging Companies	\$40,000	\$20,000	\$20,000
Expenses	Office Running Cost	\$4,900	\$1,335	\$3,565
Expense	Community latrines	\$8,000	0	\$8,000
Expenses	Side Brushing	\$10,000	0	\$10,000
Expenses	Culvert	\$15,000	\$5,000	\$10,000
Expenses	Miscellaneous	\$2,100	\$150	\$1,950

Signature of Preparer: _____

Signature of CFMB Head: _____

iii. Bank Reconciliation.

This is done to balance the amount on our bank statement with the balances we have recorded in our books. This should be done monthly. Very often there is a difference between our book balance and the bank statement balance. There are several reasons for this such as checks being paid out and record in the books but not yet presented to the bank before we receive our statement; deposits being made into the bank account but not yet recorded in the books before the bank statement is received; and errors by either the bank or the person recording in the bank or both. Example:

Name of CFMB: CFMB

Name of Report: Bank Reconciliation

Period: For the month ending January 31, 2017

Date of Report: February 5, 2017

Balance as per Bank Statement ----- *****
 Less: Unpresented checks ----- (***)
 Add: Add deposited in transit ----- ***
 Less: Check Deposited but not on bank statement ----- (***)
 Add or Subtract errors: ----- *****

Book Balance ----- *****
 Difference (Should be Zero)----- *****

Tests that may be performed on bank reconciliations include:

- ✓ Inspect bank statement for any signs of alterations.
- ✓ Compare ending balance on the bank statement(s) to the one used in reconciliation to make sure the two agree.
- ✓ Examine reconciliation for any deposits in transit (deposits showing in the receipts journal which do not appear on bank statement) or electronic funds transfers. If there are any, ask responsible staff for an explanation and then make sure they do appear as deposits on the next month's bank statement.
- ✓ Review list of outstanding checks.
- ✓ Make sure that **each item** on the statement has **supporting documents** (cancelled checks, other charges, credits or deposits). This is a test for unauthorized disbursements or transfers to another account.
- ✓ Reconciled balance of a bank account should agree with the balance in the books of record and if it doesn't, the error must be located and corrected.

5.5 Review Questions:

- ✓ Why is it important to group similar activities when presenting financial reports?
- ✓ What is a bank reconciliation and why is it important?
- ✓ Why do you think the budget performance report is important?

MODULE 6: WRAPPING IT UP: ETHICS AND COMPUTER MANAGEMENT

6.1 FIXED ASSESTS

Generally, the organization might purchase some assets such as motor bikes, computers, etc to be use in the future. Members of the organization might be entrusted to keep and use those assets on behalf of the organization. However, there should be procedures to ensure that the assets are protected and use for the benefit of the organizations.

To safeguard organization assets:

- All purchase of fixed assets should be recorded in a ledger or specifically designated books
- Fixed assets should be recorded at cost of purchase price or market value for donated assets.
- Fix assets are removed from the assets registry when they are deemed not to be useful.
- Usually is best practice to place tag on fix assets. An easy way of recording in the fixed asset register is to use a three-digit tag number.
- Update the asset register for additions in the month of purchase or donation.
- Verify existence of each item on the lists by performing a physical count

Fixed Assets Registrar

To create a fixed assets registrar ensure the following :

Name and description – Record the name and description of the asset.

Cost – Original purchase price or fair value donated.

Supplier – Record the source of the asset.

Date of purchase – Record the date of purchase.

Location – Record the present location of the asset through inspection.

Condition – Record the present condition of the asset (excellent, good, fair and poor).

6.2 Procurement

Procurement refers to the purchase of good and services for organizational use. Significant amount of funds will be used to purchase goods and services. Ensuring the right procedures and policies will save against waste and abuse.

Procurements Methods:

a. Tendering – for certain goods or services determined usually by monitoring value. This process allows for closed bidding. The tender must include complete, clear and accurate information about the responsibilities of the contractor and specifications of the tasks required.

- a. Quotations** - Goods and services at determined values are purchase through quotations. Usually the process is:

- Obtain a list of known suppliers for the required goods or services;
- Obtain quotations from at least three different suppliers from the list above;
- Fill in the Comparative Quotation Chart to analyze and document justification for recommending a particular vendor;

Specific Procurement procedures

1. Before procurement is done, the Head of the Organization should determine the need for procurement based on the budgeted activities/procurement.
2. Tendering should only be invited for significant budgeted procurements.
3. Where an unbudgeted major procurement is to be made, prior approval should be sought from the donors.
4. After confirmation that the proposed procurement is within the budget, the following activities should be carried out:
 - Invitation of tenders/quotations
 - Consideration and awarding of tenders/quotations
 - Signing of contract
 - Delivery of goods or execution of contract
 - Payment for good or services.

6.3 Code of ethics

It is important that we uphold high ethical standards when managing organizational funds. CFMBS, CFDCs, and other recipients of community funds should engage stakeholders such as donors, local partners, and communities in determining the organization's standards of ethical behavior. It is important that fund managers demonstrate commitment to integrity by developing and abiding by a standard code of ethics. As such, we all should:

- Create systems and procedures to introduce, monitor and enforce appropriate ethical code and expectations of all our members, especially the leadership.
- Assign a member of the organization to ensure that we abide by our code of conduct and behave in a way that will not tarnish our institutions name.
- Communicate with, and train, all official and members regarding organizational values, standards and compliance procedures;
- Provide, monitor and audit safe systems for reporting of unethical or risky behavior;
- Enforce appropriate discipline with consistency;
- Respond to offences and prevent recurrence.

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