

INSTITUTIONAL TRAINING

Module 1.8: FINANCIAL MANAGEMENT



ACKNOWLEDGEMENTS

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GENERAL TRAINING TIPS

Preparation:

- Prepare each session in advance and ensure all necessary materials and visual aids are available (use visual aids wherever possible to enhance your training).
- Be aware of local customs – remember to open and close the training day with a prayer and give due recognition to any traditional leaders present.
- Provide translation services where necessary (this will need to be arranged in advance – it may not be appropriate to ask a participant to translate).

General training and presentation guidelines:

- Use good time management to ensure every aspect of your training is completed – but take into account the possible need for translation and be prepared to slow down if necessary to ensure that all participants understand.
- Maintain good eye contact with participants.
- Speak clearly.
- Keep your training language simple and appropriate to your audience.
- Bridge one topic to the next.
- Provide clear instructions for activities and check to see if your instructions are understood.
- Where appropriate, summarise each component of the module.
- Avoid reading from this trainer's manual.

Visual presentation:

- Write clearly and boldly if using flipchart sheets.
- Keep your visual aids clear – avoid blocking participants' view of visual aids.

Involving the participants:

- Encourage questions and participation.
- Ask questions to get participants thinking about the topic and key issues.
- Keep the group focused on the task, but take breaks if participants are tired and losing concentration – be aware of body language.
- Be patient and courteous with all participants.
- Talk to your participants and not to the flipchart.
- Acknowledge the comments and feedback from participants.



NB: Where we wish to indicate that text in this module refers to an activity that training participants are expected to undertake, we have employed this little icon.



ABOUT MODULE 1.8: FINANCIAL MANAGEMENT

OBJECTIVES: People who receive training in MODULE 1.8 will gain knowledge on:	<ol style="list-style-type: none"> 1. Principles of financial management 2. Budgeting and planning 3. Accounting records (cash book, petty cash, bank accounts) 4. Financial monitoring and reporting 5. Financial control: policies and procedures
COMPETENCIES: People who receive training in MODULE 1.8 will be able to:	<ol style="list-style-type: none"> 1. Show a detailed understanding of financial management best practices 2. Explain how to implement financial management best practices in the conservancy 3. Describe their conservancy financial systems and processes 4. Identify the different roles in terms of managing or reviewing finances 5. Develop financial controls with policies and procedures in the financial system
MODULE 1.8 is intended for:	Conservancy staff, the Conservancy Manager, the Conservancy Committee and selected conservancy members (e.g., traditional authority representatives)
Duration of MODULE 1.8:	The training for this Module will last 3.5 days or more, depending on the participants at any individual workshop.

To train this MODULE 1.8 you will need to have (enough for everyone):	Check
Flipchart stand, sheets and different coloured marker pens ("kokies")	✓
Module 1.8 Handouts #1 – #30	
Prepared Flipchart Sheets #1 – #8 if you prefer to use them (#1 – #7 may be laminated for duplicate use)	
Paper, pencils, erasers, pens and calculators for participants	
Sheets of graph paper	
Prepared coloured cards and PresStick (see Topic 1)	
All existing conservancy documentation relating to finances	
Copies of the conservancy's original and actual bank statement, quotes, invoices, income, deposits, expenditures etc.	

NB: Handouts #9 – #12 include blank forms that can be adapted for use by the conservancy: 'Income or Expenditure Transaction' form; 'Salary Payslip' form; 'Conservancy Committee Sitting Allowance' form; and 'Advance Request and Report' form.

PTO



References/other resources:	
An example of a conservancy financial management policies and procedures document	
A blank triplicate receipt book (if you intend to show one that has actually been used, please make sure it contains no entries giving sensitive or personal information)	
A blank triplicate invoice book (if you intend to show one that has actually been used, please make sure it contains no entries giving sensitive or personal information)	

The training of this MODULE 1.8 will generally follow this schedule:

TOPIC 1:	Principles of financial management
TOPIC 2:	Budgeting and financial planning
TOPIC 3:	The accounting system and records
TOPIC 4:	Financial monitoring and reporting
TOPIC 5:	Financial control: policies and procedures

NOTE TO TRAINERS/FACILITATORS: HOW TO USE THIS TRAINER'S MANUAL

This Manual provides a guide for delivering the training course for Module 1.8: Financial Management. The Manual provides a step-by-step approach for delivering training on each topic in this Module. The training approach includes a mix of participatory activities and delivery of information to the participants. Instructions for these participatory activities are provided in the Manual. The Manual also indicates where trainers/facilitators need to have material prepared in advance and where they need to have Handouts ready to give to participants.

The Manual also provides essential information and messages that need to be conveyed to participants at each step of the Module. This material is provided as a foundation on which the trainers/facilitators should build the delivery of the Module. Use local and real examples of figures, people, finances and situations to make the training more relevant and interesting.

It is suggested that the facilitator assesses the current forms and systems being used in a conservancy prior to the 1.8 training workshop. Only adapt and change forms and systems if the existing ones are not working or if there are gaps.

Sometimes, topics have been divided into 'sessions', with amounts of time allocated to them. These time frames are a guide only, and trainers/facilitators might need to adapt them as they deliver the Module.



Training delivery may vary when some groups need more detailed training and practical experience than other groups. For example:

The **Financial staff/Manager/Treasurer** will need detailed training and practical experience with all the topics, but especially Topics 3 and 4.

The **Conservancy Committee** will need general training in all topics – they will need to know how to fill in the petty cash and bank books, and have sufficient understanding of the systems and principles to be able to manage the finances of the conservancy. This means that CC is able to make informed decisions about the conservancy finances and monitor that the Treasurer/Manager/financial staff have worked according to plans and budgets laid out by the members and CC. The CC may need additional training on reporting and monitoring; how to read a Financial Report; how to ask the correct questions about finance; and how to identify when finances do not look correct.

Conservancy members who attend AGMs will need basic training on how to read, understand and approve a Budget and a Financial Report, and how to decide on benefits to members.

We suggest that participants experienced in financial management issues may be able to attempt many of the workshop activities individually. At other workshops it may be preferable for participants to be divided into representative groups (of mixed ability if necessary) to work in collaboration on certain activities. Lastly, members of separate conservancies should work together in 'conservancy groups' to carry out tasks such as drawing up a draft Budget for their own conservancy (Topic 2, Session 3) or drawing up financial management policies and procedures (Topic 5, Session 3).



KEYWORDS and ACRONYMS for this MODULE

AGM	Annual General Meeting
Bank book	The book or form used to record all income and expenditure for each bank account
Budget	A financial plan for income and expenditure that is based on a workplan and covers a certain period of time (annually/monthly)
Cash book	The book or form used to record all income and expenditure for petty cash
CC	Conservancy Committee (conservancy management committee)
CGG	Community Game Guard
Expenditure	The money spent (cash, cheque or bank debit orders or bank charges), i.e., money going OUT of the conservancy
Financial Report	A summary of the financial status of the conservancy. The report gives an accurate summary of the conservancy's financial position (which includes income and expenditure); compares these amounts to the approved Budget; and shows where the balance of the conservancy's money is
HACCSIS	Human-Animal Conflict Conservancy Self-insurance Scheme
Income	The money received (cash, cheque, bank transfers, deposits or bank interest received) i.e., money coming INTO the conservancy
MET	Ministry of Environment and Tourism, (Namibia)
NGO	Non-governmental organisation
Petty cash	Cash that is used for cash expenditures
Policy and procedures	A policy is a rule set by the Conservancy Committee A procedure is a step-by-step process for how to implement the policy
Reconciliation	Balancing the bank book with the bank statement, or cash book with the cash on hand or (money in the petty cash box)
Relevant authority	The person or people that the conservancy has authorised (put in charge of) to approve, compile or sign off on expenditure, reports and budgets
Transaction	Any money spent or any money received (cash or cheque)



INTRODUCTION

- 1** **LIST:** The **overall objectives** of Module 1.8 on a flipchart sheet (you may wish to prepare this in advance as Flipchart Sheet #1). Explain the objectives in detail.

Objectives of this workshop: you will gain knowledge on –

1. Principles of financial management
2. Budgeting and planning
3. Keeping accounting records
4. Financial monitoring and reporting
5. Financial controls: policies and procedures

LIST: The **competencies** of Module 1.8 by writing them on a flipchart sheet. To save time you may prefer to have Flipchart Sheet #2 prepared in advance. Explain the competencies to participants.

People who receive training in Module 1.8 will be able to:

1. Show a detailed understanding of financial management best practices
2. Explain how to implement financial management best practices in the conservancy
3. Describe their conservancy financial systems and processes
4. Identify the different roles in terms of managing or reviewing finances
5. Develop financial controls with policies and procedures in the financial systems

EXPLAIN: Our first topic introduces the concept of financial management and considers the principles of financial management. Before we begin, does anyone have any questions?



TOPIC 1: Principles of financial management

NOTE: The aim of Topic 1 is to get participants involved early on and to lay the foundation for future sessions by developing a good understanding of what financial management is and what is required to do it well.

Session 1: What is financial management? (Approximately 60 minutes.)

1 EXPLAIN: The first session of Topic 1 will focus on **understanding the concept and principles of financial management, and why financial management is important for the conservancy.**

ASK: What is financial management?



Ask participants if they can **explain what is meant by financial management**. Capture responses on a flipchart sheet under the heading 'Financial Management'. If the participants have missed some key points listed below, add them to the flipchart sheet and give an explanation.


EXPLAIN: Financial management is (explain all the points listed below):

- Control of money.
- Planning and budgeting.
- Knowing how much money is received from whom, and for what.
- Knowing how much money is spent and on what was it spent.
- Knowing how much money is left.
- Knowing where the money is.
- Ensuring that relevant policies and procedures are in place and are being adhered to.
- Decision making on how money is spent.

EXPLAIN: Financial management involves **the careful planning, day-to-day use and monitoring of all aspects of conservancy finances** (money). Like any business, a conservancy needs to keep careful controls and checks in place to make sure that this important resource is being used wisely. This is particularly important to a conservancy, where the money is a communal resource (i.e., it belongs to all the members) and needs to be managed in line with the needs and wishes of all the members. Although only a few people may be involved in day-to-day bookkeeping and accounting, the CC and broader members must be kept well informed and involved in important decisions.



ASK: What are the key aspects of a good financial management system, and why?


2  Ask participants to explain **what aspects of a financial management system are most important, and why**. Capture responses on a flipchart sheet under the heading 'Importance of a good financial management system'. If the participants have missed some key points listed below, add them to the flipchart sheet and give an explanation.

EXPLAIN:

- Good financial records are the basis for good financial management.
- Financial records are a legal requirement for gazetted conservancies and community forests.
- Planning and budgeting can only be done if a sound financial management system is in place.
- Members' money must be managed properly; must be accounted for satisfactorily; and its use must be properly explained (accountability and transparency). The agreed activities must have been carried out.

EXPLAIN: For the conservancy to manage its money effectively and responsibly, a **simple but accurate accounting system** is needed. There are certain systems, forms and books that are needed for a simple, comprehensive financial management system.

ASK: Who do the conservancy money and assets belong to, and who can say how the money can be used?


3  Ask participants **who they think the conservancy money and assets belong to**. Capture responses on a flipchart sheet under the heading 'Conservancy money and assets ownership'. If the participants have missed some key points listed below, add them to the flipchart sheet and give an explanation.

EXPLAIN:

1. Donor funds are requested, given, and can only be used for certain agreed expenses, e.g., salaries, workshops, fuel.
2. The conservancy's own income comes from joint ventures, trophy hunting or small businesses like crafts.
3. All funds (and assets) should be used in the best interest of all conservancy members and as agreed to by the members in a Budget.




ASK: How do we want the finances of the conservancy to be managed?

4  Ask participants **what the purpose** (sometimes called the 'vision' or 'mission') **of the conservancy is**. Capture the participants' responses on a flipchart sheet under the heading 'The purpose of the conservancy'.

EXPLAIN: The primary purpose (or 'main objective') of conservancies is to conserve and manage wildlife and natural resources in a sustainable way to increase benefits to members. These benefits are shared in an equitable way and improve the quality of life or well-being of members of the conservancy.

In line with the conservancy's purpose, the common goal for all members, staff and CC members is to ensure that the resources (money earned by the conservancy and other assets such as a vehicle) are used in the best interests of all its members, and not just a few individuals.


5  Ask the participants **how this purpose relates to how the conservancy's finances should be managed?** Capture the participants' responses on the flipchart under the heading 'Managing the conservancy's finances'.

EXPLAIN: In order to achieve its purpose, the finances of the conservancy have to be:

- Managed carefully and accurately.
- Reported on regularly.
- Handled transparently.
- Kept within Budget.
- Commensurate (in line) with plans.
- Approved by members at the AGM.
- Spent with the purpose of benefiting all members.

The purpose of the conservancy will fail if the money is not managed properly because the money generated will be wasted and there will not be enough to pay for the running costs of the conservancy and/or to give benefits to the members.

ASK: What needs to be in place for good financial management?

6  Ask the participants to think about the above question. Capture the participants' responses on a flipchart sheet under the heading 'What needs to be in place for good financial management?'. Refer to the list below to make sure all key aspects are covered.



LIST:

1. Business/Financial Sustainability Plan.
2. Equitable Benefit Distribution Plan (BDP).
3. Clear, approved budgets that are linked to workplans.
4. Bookkeeping system which includes:
 - a. Bank book (for every bank account) that records every transaction;
 - b. Cash book (for every petty cash box) that records every transaction;
 - c. Reports;
 - d. Files with documentation of all transactions.
5. Policies, procedures and rules that are respected and used.
6. Clear, separated roles, responsibilities, job descriptions.
7. Trained Treasurer or Financial Administrator/Manager.
8. External person/bookkeeper to help check the books.
9. Accurate reports on all income and expenditure against the approved budget reporting system – to CC (monthly) and members (quarterly).
10. Independent audit report.
11. Conservancy Committee - trained, honest, reliable and responsible.
12. A CC that reviews, manages and adapts where necessary.
13. Willingness, skills and ability to use the systems.

Session 2: The financial management cycle; responsibility for managing conservancy finances and the financial management system of the conservancy (approximately 2 hours).

NOTE: *The aim of the next session is to build a clear picture of the financial management cycle; to identify and discuss who is responsible for the different aspects of managing conservancy finances; and to identify the financial system of the conservancy.*

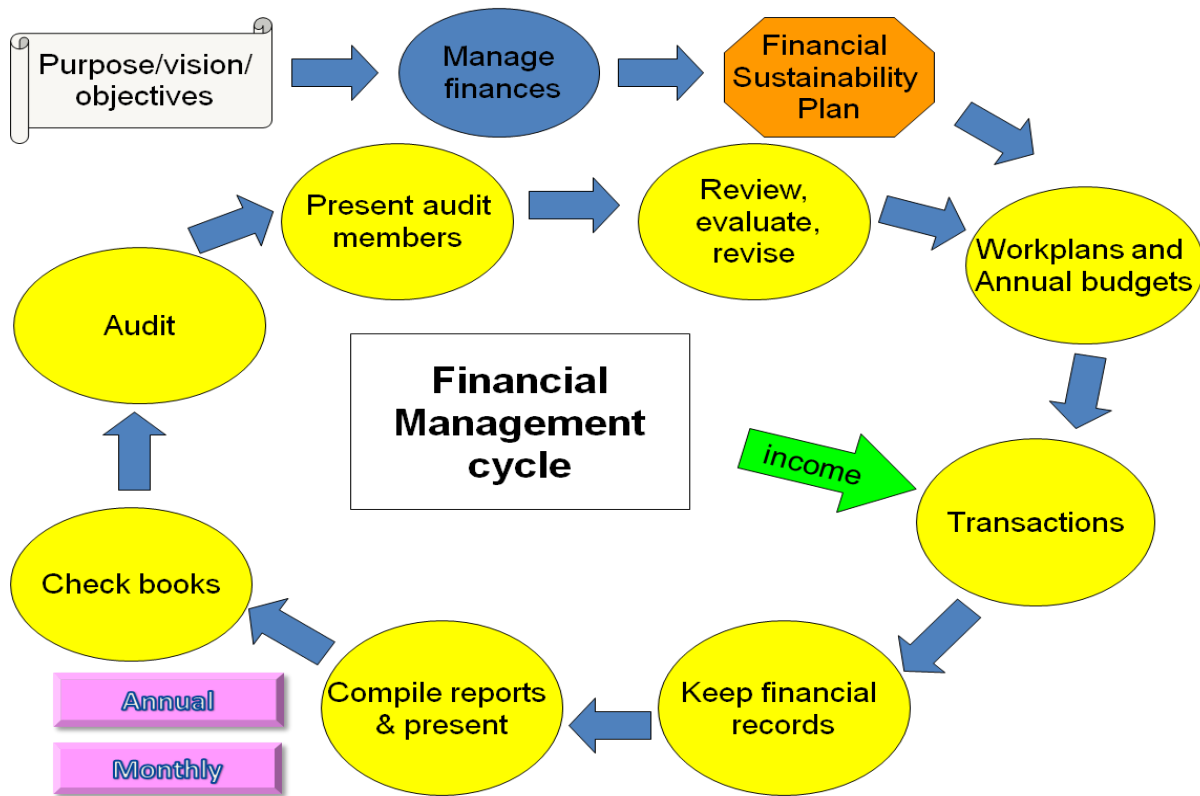
NB: *Before this session, make sure to prepare – on individual coloured cards – each of the steps of the financial management cycle (see Handout #1); the roles and responsibilities in conservancy financial management (Handout #2, 3 pages in total); and the financial management system (Handout #3).*



ASK: What is the financial management cycle?

1 Ask the participants if they can **name and describe the different steps or phases in the conservancy financial management cycle**. As the participants respond, stick up the relevant prepared Handout #1 cards in the correct order on a flipchart sheet (see diagram below). Add any cards that the group have left out (or make cards for new ideas the group contributes) to complete diagram of the cycle that you have created together.

NB: Keep this diagram on a displayed flipchart sheet throughout the workshop to use as a training reference.



2 **DISTRIBUTE:** Handout #1 and explain each of the steps on the diagram. Make sure to refer back to the displayed diagram of the cycle that the participants have just created as you do so:



EXPLAIN: The **steps in the financial management cycle** are:

1. Establishing the **purpose/mission/vision/objectives** for the conservancy.
2. Setting up a **management system** for the funds. Drawing up a **Financial Sustainability/Business Plan**. This helps to create a financial/business vision for the future and improve understanding of key business principles. It is a tool to help the conservancy project and monitor sustainability and helps in the development of workplans and budgets. It is reviewed annually. All conservancies will be given assistance to revise or develop a Financial Sustainability Plan for their conservancy.
3. **Workplans and budgets:** are required for planning, managing and controlling income and expenditure.
4. **Transactions:** receiving money (**income**) and spending (**expenditure**) money.
5. **Keeping financial records:** all supporting documents relating to all income and expenditure, cash and bank books, and bank and cash reconciliations must be kept in a safe place for easy reference and good record keeping.
6. **Compile and present financial reports:** bringing together all the information on income and expenditure and comparing this to the Budget. This information is presented in a Financial Report that provides a one page summary of the financial status of the conservancy to the CC for approval on a monthly and an annual basis.
7. **Check the books:** an external person (e.g., from the support organisation) or bookkeeper should check and verify all the financial books and documents before they are presented to an auditor.
8. **Audit:** an audit is done once a year to independently check the conservancy's finances.
9. **Present audit to members:** the audit is presented to the CC and then the conservancy members at the AGM for final approval.
10. **Review, evaluate revise:** at the end of every month the CC will review, evaluate and revise workplans and budgets to ensure that the conservancy is implementing the workplans and not over- or under-spending, or under-performing in generating income, in order to ensure that the conservancy is fulfilling its purpose and mission. (At the end of every year the CC and members do this together).

3 **EXPLAIN:** In order to become **sustainable**, a conservancy needs to generate more income than it spends. As part of the financial management of a conservancy, it is therefore important to identify the income that the conservancy expects to earn in the future as well as the expenditure (what it expects to spend). This is known as **business or sustainability planning**.

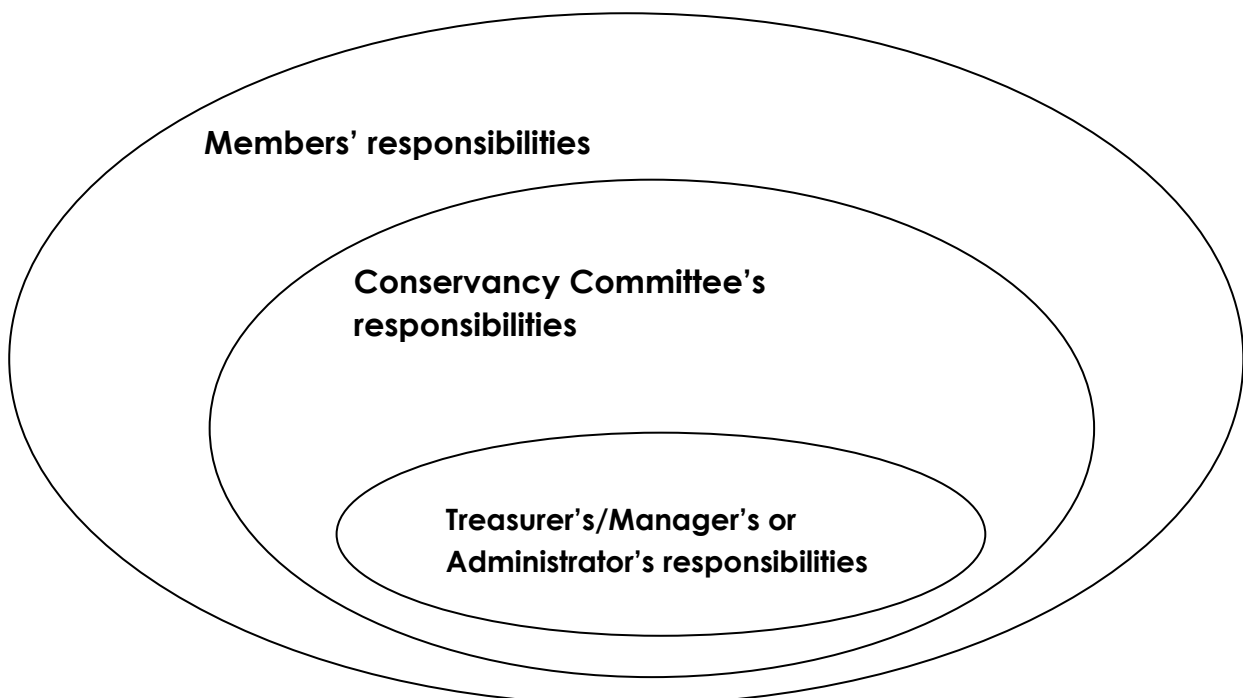


- The main purpose of a **Financial Sustainability Plan** is to guide the conservancy in its quest to attain long-term financial sustainability. This tool puts the conservancy in a position to plan in accordance with the current and future projects the conservancy is/or will embark upon, and how these will be funded.
- The Financial Sustainability/Business Plan will guide the conservancy in the management of its business interests and will assist in the management of the conservancy's finances. The Financial Sustainability/Business Plan contains two main parts: the first is the Sustainability Graph (financial projections for income and expenditure) and the second is the text written in the form of a Business Plan (more information about the business activities and how they should be managed) that accompanies the graph. Some conservancies may decide to use only the Sustainability Graph, whilst others may choose to have both the graph and the written Business Plan.)

ASK: Who is responsible for the conservancy finances?

- 4** Ask participants to **identify the three key groups of people responsible for finances in the conservancy** (i.e., conservancy members, CC, and Treasurer). Use the relevant Handout #2 coloured cards prepared earlier and place them on a flipchart sheet under the heading 'Roles and responsibilities in conservancy finances' as shown in the diagram below. Discuss the three groups of people together.

NB: Keep this (and subsequent) diagrams on displayed flipchart sheets throughout the workshop to use as training references.

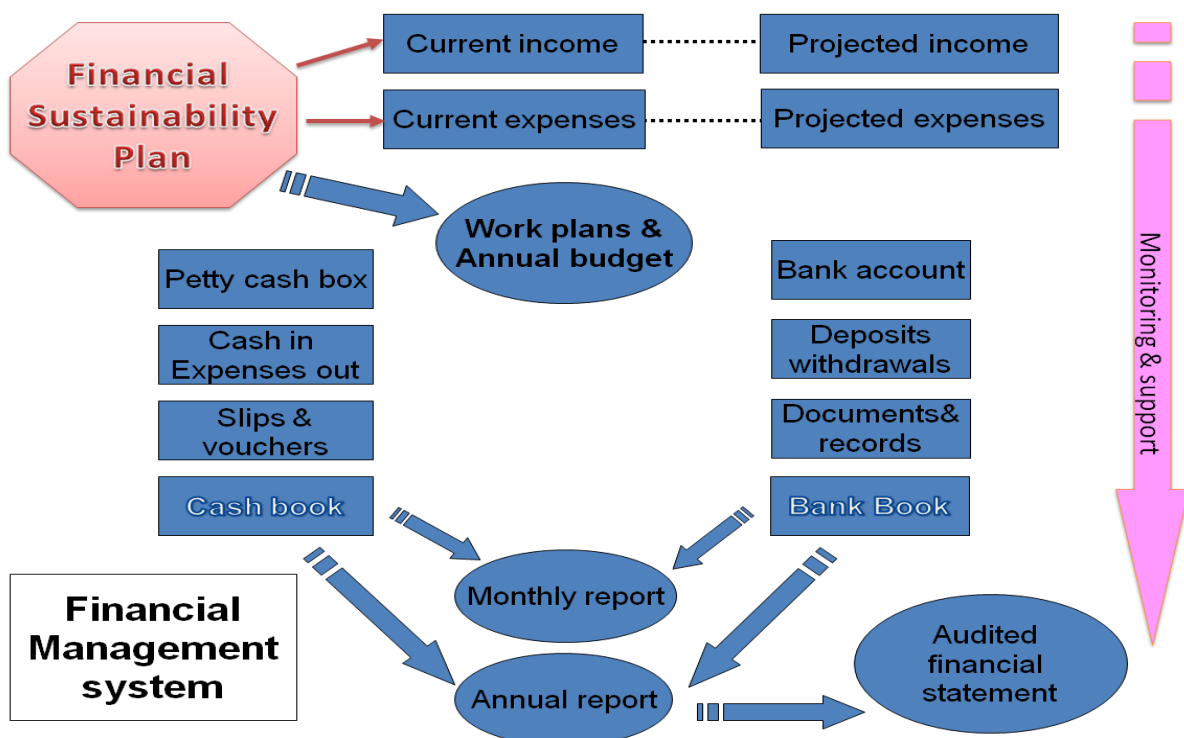


5 **Ask participants to identify and describe the different roles and responsibilities** of these three groups of people identified in the previous step. I.e., who should do which tasks in financial management? Use the remaining Handout #2 prepared coloured cards for each role/responsibility and build a flowchart with three sets of cards pasted on the previous activity's flipchart sheet with the members responsibilities in the outer ring, the Conservancy Committee's responsibilities in the middle ring, and the Treasurer's responsibilities in the inside ring—see Handout #2 for guidance. If the participants have missed some of the roles and responsibilities, place them on the flipchart sheet in the correct place while giving an explanation. **NB:** Make and add new cards if participants come up with any additional good points/ideas.

6 **DISTRIBUTE:** Handout #2 (3 pages in total) and explain the identities of those in the conservancy tasked with management of finances, and each of the steps in each cycle shown on the three flowchart diagrams. Make sure to refer back to the diagram that the participants have just created with their cards as you do so.

ASK: How do we develop a financial management system?

7 **Ask participants to describe and explain the different components of the financial management system.** Use the prepared Handout #3 coloured cards and place them in the correct place on a flipchart sheet (joined by arrows that you draw on) under the heading 'Financial management system' as the participants respond (see below). **NB:** Make and add new cards if participants raise any additional good points/ideas.



- 8 **DISTRIBUTE:** Handout #3 and use it to explain the financial management system. Make sure to refer back to the diagram that the participants have just created with their cards as you do so:

EXPLAIN: The following components of the financial management system:

Financial Sustainability Plan/Business Plan. This plan helps to create a financial/business vision for the future and improve understanding of key business principles. It is a tool to help the conservancy project and monitor sustainability and helps in the development of workplans and budgets.

Workplans and budgets. From the Financial Sustainability Plan/Business Plan, workplans and budgets are drawn up and are an important and useful tool for planning, managing and controlling income and expenditure.

Current income and expenses. Flowing from the workplans and budgets, current income will come in and current expenditure will go out – related to the projected income and expenditure (as per the Budget).

Projected income and expenditure is the Annual Budget that was approved by the members at the AGM, and should be linked to current income and expenditure.

Bank account. Money will come in and out of the bank accounts through deposits, withdrawals, cheques etc. A bank statement must be received from the bank every month for each account. The CC will determine how many bank accounts the conservancy needs.

Bank book. All transactions that go through the bank will be listed in order in this book including all the cheques, bank interest, bank charges etc., with attached relevant slips and documentation.

Cash book. All transactions that are received in cash or spent in cash will be listed in this book with attached relevant slips and documentation.

Petty cash box. This is the place where cash is kept safely (in a lockable box and preferably in a safe).

Monthly and Annual Reports. Reports will be drawn up and presented monthly to the CC, and annually to the CC and conservancy members at the AGM for final approval.

Audited Report. An audit is done once a year to independently check the conservancy's finances.

Monitoring and support. This should be ongoing (on a monthly basis) throughout the cycle. This can be provided by an external person, e.g., a support person from an NGO, bookkeeper, or someone else who is not directly involved in the day-to-day finances of the conservancy.



9 **EXPLAIN:** A **very important rule** within this financial system is: every financial transaction (income or expenditure) **MUST** be recorded **DAILY** in the cash book or bank book; **MUST** have a completed 'Income or Expenditure Transaction' form with the relevant documents attached (receipt, voucher, invoice and/or deposit slip); and must be filed in the correct place.

10 **SUMMARISE/LINK:** In these two Topic 1 sessions we have looked at what we mean by 'financial management' in the context of a conservancy; the financial management cycle; and who is responsible for managing conservancy finances, and how, within the financial management system. In Topic 2 we will look at budgeting and financial planning.

Let's just go back and look at our objectives for this workshop to confirm that we are 'on track' so far (*refer back to the first flipchart sheet – or prepared Flipchart Sheet #1*). Does anyone have any questions before we move on to the next topic?




TOPIC 2: Budgeting and financial planning

Session 1: What is a Budget and why is it important? (*Approximately 1 hour.*)

NOTE: Refer back to the graphics on the flipchart sheets created using cards during Session 2 of Topic 1, pointing out where budgets and workplans fit into the graphics created by the participants with the cards

ASK: What is a Budget?

- 1**  Ask participants to **describe what they understand by the word 'Budget'**. Capture the participants' responses on a flipchart sheet under the heading 'What is a Budget?'. If the participants miss any key issues, place them on the flipchart sheet at the end of this activity.


EXPLAIN: A Budget:

1. Is a written **financial plan** for income and expenditure.
2. **Is based on a workplan.**
3. Covers a certain **period of time (annually/monthly)**. An Annual Budget is drawn up and approved. Then on a monthly basis a Monthly Budget is drawn up based on the month's workplans and the Annual Budget.
4. The Annual (and Monthly) Budget will show what income the conservancy expects to receive and how it plans to spend and use this money over a one year (or monthly) period.
5. The Budget is the foundation on which the financial control system must be built.
6. The Budget explains how much money the conservancy expects to receive during the year or month.
7. The Budget explains how much money should be spent and on what items during the year or month.

2 **EXPLAIN:** A good Budget should:

- Be easy to read so that it is clear how the costs have been worked out (clear calculations).
- Be as accurate as possible.
- Have explanatory notes for the different line items so it is clear what activity it falls under and how the amounts have been worked out.




3  Ask participants to identify **who they think should draw up and approve the Budget**. Use the same flipchart sheet as in Step 1, above, and capture the participants' responses on the flipchart under a new heading 'Who should develop and approve the Budget?'. Refer participants back to the Topic 1 activity and the diagram (Handout #2) on financial management roles and responsibilities. If the participants have missed some of the key points, write them on the flipchart sheet at the end of this activity.

EXPLAIN:

- The Annual Budget and workplans are usually prepared by the Treasurer, Conservancy Manager, and the financial administrator, along with the staff. This should be done in accordance with the guidelines and policies of the conservancy.
- There may – from time to time – be special groups who are asked to be part of the process (e.g., support organisations).
- Once the draft Budget and workplans have been developed they need to be checked and approved by the CC.
- The changes and decisions made by the CC should be incorporated into a formal Budget prepared by the Conservancy Manager and Treasurer, and presented at the next meeting for formal approval by the CC, and then approved and signed off by the members at the AGM.

ASK: Why is it important to have a Budget?

4  Ask participants to consider the above question. Capture the participants' responses on a flipchart sheet under the heading: 'Why is a Budget important?'. If the participants have missed some of the key points, write them on the flipchart sheet at the end of this activity.

EXPLAIN: A Budget is a useful tool for **planning, managing and controlling income and expenditure**. During the year, the actual income and expenditure needs to be compared against the Budget on a monthly and annual basis so that if the expected income or expenditure is over- or under- budget, the workplans and Budget may need to change according to how much money has been received or spent (as you cannot spend more money than you receive).


The Budget serves as the reference point against which the actual expenditures are reviewed; a Budget allows the CC and members to evaluate whether or not money was spent as they approved.



5 **EXPLAIN:** A Budget helps the conservancy to:

- Plan and coordinate activities.
- Calculate estimated income and expenditure.
- Communicate plans to a range of stakeholders (members in particular).
- Motivate the staff and the CC to achieve objectives.
- Evaluate performance and workplans.

ASK: What information is needed to develop and draw up a Budget?

6  Ask participants to think about **what information we need in order to draw up a good Budget**. Capture the participants' responses on a flipchart sheet under the heading: 'What information do we need to draw up a Budget?' If the participants have missed some of the key points, write them on the flipchart sheet at the end of this activity.

EXPLAIN: The information we need to draw up a good Budget arises from the following sources:

1. The Business or Financial Sustainability Plan.
2. The review of the previous year's progress on activities, expenses and income.
3. Annual workplans.
4. Projected income: deciding on how much income the conservancy will receive for that year.
5. Projected expenditure: deciding on how much the conservancy will need to spend to implement all the workplans for that year. This must include:
 - a. Benefit distribution and projects for members' benefits.
 - b. Maintaining and running the conservancy – operational costs.
 - c. Reserve, savings and investments.

7 **EXPLAIN:** It is important that we separate out the projected expenditure, and include benefit distribution and projects for members' benefits separately:


- To avoid budgeting for operational costs only, and to ensuring benefits are included in the budgeting process.
- To ensure that the costs are not more than the Budget.




Session 2: How do we go about drawing up a Budget? (Approximately 2 hours.)

1 **EXPLAIN:** We are now going to draw up an Annual Budget for the imaginary 'Nawa Conservancy'. **NB:** *This activity will be done in small groups (4-5 people per group) so before starting the activity make sure that groups are selected in such a way that they comprise a mix of representatives and abilities.*

DISTRIBUTE: Handouts #4 – #7.

 Participants should first read the background information relating to Nawa Conservancy found on Handout #4 (2 pages). Ask them to let you know if they have any questions before you begin the activities below.

2 **ASK:** Participants to think back to Topic 2, Session 1, where you discussed together the information necessary to draw up a Budget. Remind them that a review of the conservancy's previous year's financial statements (income and expenditure) was the basis for certain key information required to draw up a good Budget.

 Participants should now read through the information relating to Nawa Conservancy's previous year's financial statements, found on Handout #5 (2 pages). Ask them to let you know if they have any questions. To encourage discussion you can go through each line item in turn and ask leading questions such as:

Income:

- Why was there only trophy hunting income of N\$96,000 (from 'Big Elephant') when N\$120,000 was expected? (Answers could be the US\$/N\$ exchange rate went down, or the trophy hunter has not yet paid the final instalment etc.)
- Why was there only tourism venture income of N\$110,000 ('The Night Owl') when N\$140,000 was expected? (Answers could be that the partner has not yet paid the final instalment.)

Expenditure:

- Why did uniforms cost N\$6,000 when only N\$4,000 was budgeted?
- Why was the telephone bill N\$1,200 over budget? (The answer could be that there is no/not enough control on who can use the telephone/fax, or some people are calling cell phones from the landline – which is very expensive. Corrective action for conservancy: ensure there is a policy for the use of the telephone to make it clear to all staff and members what the rules are for using the phone.)



- Why were the cash benefits over budget by N\$4,500? (The answer could be that there were 45 more members than expected. Corrective action for conservancy: in the following year the conservancy must ensure they know how many members will be paid and keep an updated list of members.)

3

ASK: Participants to think back to Session 1, where you discussed together the information necessary to draw up a Budget. Remind them that a review of the conservancy's Annual Workplans forms the basis for certain key information required to draw up a good Budget.



Participants should now read the information relating to Nawa Conservancy's Annual Workplans, found on Handout #6. Ask them to let you know if they have any questions.

4

ASK: Participants to think back to Session 1, where you discussed together the information necessary to draw up a Budget. Remind them that projected income and projected expenditure form the basis for certain key information required to draw up a good Budget.

EXPLAIN: Nawa Conservancy will need to think about:

- Projected income: Decide on a how much income you think the conservancy will receive for that year.
- Projected expenditure: Decide on how much you think the conservancy will need to spend to implement all the Annual Workplans for that year. This must include:
 - a. Benefit distribution and projects for members' benefit.
 - b. Maintaining and running the conservancy – operational costs.
 - c. Reserves and investments.



Participants should now look at Handout #7, the blank budget form for Nawa Conservancy to complete for 2011. Using the information contained within Handouts #4– #6, participants should work in their small groups to fill in the blank budget form to arrive at a draft Annual Budget for the conservancy for next year. Ask the participants if there are any questions before they begin.

NOTE: Tell participants that they may ask any questions at any time if they do not understand something. Go around and see that each group is working through the draft Budget correctly. **NB:** Allow plenty of time for the completion of this activity.



5 After the groups have completed the activity go through Handouts #4– #6 with the participants collectively and all work together to create a draft Budget on a flipchart sheet under the heading: 'Draft Annual Budget: Nawa Conservancy' using groups' responses (assuming that they are correct, of course).

DISTRIBUTE: Handout #8 as a completed example of what the Annual Budget could look like. Discuss this together.

6 **EXPLAIN:** After the draft Budget has been drawn up, the conservancy needs to ensure that projected income is more than the projected expenditure. We are now going to work together to try to match our Nawa Conservancy Draft Annual Budget expenditure with budget income.



Refer participants back to the collective Draft Annual Budget they have just prepared for Nawa Conservancy in Step 5, above. On a new flipchart sheet write the heading 'Budget – reconciliation of income and expenditure' and draw a table like the one below.

- Working with the participants, complete the table using the figures from the Nawa Conservancy Draft Annual Budget prepared during Step 5, above (some examples are given below).
- Subtract MB, O and R from income to get the balance:

Income	N\$321,200-00
Members' benefits (MB)	N\$111,000-00
Operations (O) – running costs	N\$108,000-00
Reserve (R)	N\$102,200-00
Balance	N\$ 0

7 **EXPLAIN:**

- If the **balance is positive** then there is more money than needed and the balance should be added to the reserves/investment.
- If the **balance is negative**, this means that the income is not enough to cover all of the projected expenses. Revisions and reductions will have to be made.



Participants should now work in their groups to think about how to review, revise and balance the Nawa Conservancy Draft Annual Budget income and expenditure to see if all costs can be covered with the expected income, while ensuring that there are benefits/projects that will benefit members. Discuss their ideas together.



9 **EXPLAIN:** If you find that you remain over budget, go back through the Budget and examine each expenditure category and item:

- Are there possible reductions in expenditure for this item?
- Is there any other new income possible?
- Brainstorm new possible sources of income.
- Recovering lost income – is there money outstanding in loans? Can they be recovered (when and how?) Is there money missing? Can it be recovered? When? How?
- Add any probable new income to the projected income figure and recalculate.
- Reserve/Investment: re-examine the reserve calculations; can it be reduced without threatening smooth operations?


10 **EXPLAIN:** We must keep on revising the draft Budget **to reach a balance of not less than zero** – if there is additional income after balancing the accounts, the conservancy can put the extra income into the reserve or investment account.

11 **EXPLAIN:** After the draft Budget has been finalised, decisions made by the CC should be incorporated into a formal Budget prepared by the Conservancy Manager and Treasurer to be presented at the next meeting for formal approval by the CC, and then approved and signed off by the members at the AGM.

Session 3: Drawing up a draft Budget for the conservancy (*approximately 3 hours*).

NOTE: During the next session the participants will be asked to draw up a draft Budget for their own conservancy. This can be done for the upcoming financial year. For conservancies that already have experience with budgeting, this activity can be used as a revision exercise.

Participants will need copies of all the relevant documentation from their conservancy to carry out this activity (financial statements; Annual Workplans; projections for income and expenditure).

1  Participants should work **in their conservancy groups** to draw up a draft Budget for their upcoming financial year following the same procedure used above with the Nawa Conservancy case study. If a conservancy group already has experience in drawing up a Budget, ask the group to examine the Nawa Conservancy example alongside their own current Budget and make improvements to their proposed draft.



Participants should work their way through the above activity as a conservancy group, with plenty of structured support from the trainer. These activities are collaborative, time-consuming and involve a degree of trial and error, so you will need to set aside sufficient time to complete this satisfactorily.

2 **EXPLAIN:** The end result of this activity is a draft Budget for your own conservancy that should be taken back to the conservancy and presented to those representatives not present at this training. The conservancy can then review and revise the draft with the larger group. So your next step after the end of this workshop is to present your draft Budget to the relevant people for revision, finalisation and formal approval.

3 **SUMMARISE/LINK:** In these three Topic 2 sessions we have looked at why a Budget is important, and the information necessary to compile a good Budget; we then carried out a lengthy activity to draw up a draft Annual Budget for an imaginary conservancy and we examined in detail how to reconcile income against expenditure. In the last session we drew up a draft Budget for each conservancy present. In Topic 3 we will look at the importance of keeping good financial records.

Let's just go back and look at our objectives for this workshop to confirm that we remain 'on track' so far (*refer back to the first flipchart sheet – or prepared Flipchart Sheet #1*). Does anyone have any questions before we move on to the next topic?



TOPIC 3: The accounting system and records

1 **EXPLAIN:** Once the workplans and Budget have been approved by the members at the Annual General Meeting (AGM), then the planned activities can begin, and a record kept of all income and expenditure. In order to keep such records, i.e., to implement effective bookkeeping, the following supplies are required (*you may prefer to prepare this list in advance as Flipchart Sheet #3*):

Supplies needed for effective bookkeeping:


1. Numbered triplicate (i.e., 3copies) **receipt book** for any money received.
2. **Bank book**/forms for each bank account.
3. **Cash book**/forms for petty cash box.
4. **Calculator**.
5. **Safe** (to keep cash box and cheque book).
6. Lockable **petty cash box**.
7. Conservancy **rubber stamp**.
8. **Black pen, ruler, stapler and hole punch**.
9. Enough copies of **relevant forms**.
10. **Files** (for documents, invoices, bank reconciliations, bank statements etc.)

Session 1: General discussion on accounting systems and records

(*approximately 1 hour*).

NOTE: Refer back to the displayed flipchart sheet diagrams that participants created using cards earlier in the workshop for the financial management cycle and the financial management system. Point out where the accounting system and records fit into the diagrams.

ASK: What is an accounting system and what are accounting records?


1  Ask participants to consider the above question. Note their responses on flipchart sheet under the two headings: 'What is the accounting system?' and 'What are accounting records?'. If the participants have missed some of the key points, write them on the flipchart sheet and then give a detailed explanation, as indicated below and emphasising the final point.



2 EXPLAIN:

- An **accounting system is a permanent record in writing**, which captures knowledge or information of any transaction and that serves as legal evidence of that transaction. The accounting system uses accounting records to capture the details of all transactions.
- Money is received or spent by using cheques, cash, bank transfers, deposits, bank interest received, bank debit orders or bank charges.
- Every financial transaction (income or expenditure) **MUST** be recorded daily in the cash book and bank book, **MUST** have a completed 'Income or Expenditure Transaction' form with the relevant documents attached (receipt, voucher, invoice and/or deposit slip), and **MUST** be filed in the correct place. **(NB: Emphasise this particular point.)**

ASK: Why is it important to have a good accounting system in place, with traceable records?

- 3  Ask participants to consider the above question. Record responses on a flipchart sheet under the heading 'Why is it important to have a good accounting system with traceable records?' If the participants have missed some key points, write them on the flipchart and give an explanation.

EXPLAIN: A simple system for the accounting records needs to be in place so that at any time the Conservancy Manager, Treasurer, CC and/or members will have everything in one place and will know:

- How much money has come in (amount in N\$).
- When the money came in (date).
- Where the money came from (source of income).
- How much money has been spent (amount in N\$).
- When the money was spent (date).
- What the money has been spent on (supplier of goods or services).
- How much money is left (balance).
- How much money is cash and how much is in the bank (i.e., where the money is).
- Where all the relevant support documentation is.



4 **EXPLAIN:** Each conservancy needs a **practical system for managing its money using bank accounts.**

- This means that a conservancy with a small income that comes from only one or two sources (e.g., trophy hunting and a campsite) only keeps one or two bank accounts. The guiding principle is that the conservancy has one main account to receive its funds and a separate account for everyday use.
- If the conservancy earns enough it could consider a third type of account for investments and medium- to long-term savings.
- What should be avoided is having too many different accounts that make financial management difficult. At the same time, having just one account will also be problematic as it allows access to all the funds of the conservancy and is open to abuse or fraud.

EXPLAIN: In general it is recommended that the conservancy has **three bank accounts and only one cash box** (for petty cash). This system needs to be approved by the individual conservancy's CC:

1. A **"running costs" account** (current/cheque account) for daily transactions, which is topped up monthly based on the Monthly Budget and previous month's Financial Report.
2. A **holding account** usually referred to as the 'mother account', from which money is transferred on a monthly basis, based on a Monthly Budget and previous month's Financial Report.
3. An **investment** (savings, reserve) account which will receive a high interest.

5 **EXPLAIN:** The following records and documents need to be kept for an effective financial system (*each will be described in detail later on in the training*):


1. All supporting documents.
2. Cash and bank book.
3. Bank and cash reconciliations.



6 **EXPLAIN:** The following records and documents should be kept safely for the following periods of time:

- All original documents (such as agreements, terms of reference etc.) are to be kept for at least 10 years.
- All paper financial records and documents are used as back up for any type of computerised accounting document and should be kept for at least 5 years.
- All audit financial statements are to be kept for at least 10 years.
- All non-current documents must be kept in a safe place.
- Current year reports and documents must be kept in the filing system.
- These documents should be stored in such a way that they are kept confidential but accessible to the conservancy staff, CC and members.

Session 2: Introduction to financial supporting documents and records
(*approximately 30 minutes*).

1  Ask participants to think about the **supporting financial documents and records** that they think a conservancy would need to keep. Capture the participants' suggestions on a flipchart sheet under the heading 'Supporting financial documents and records'. If the participants have missed some key points (see below), write them on the flipchart sheet at the end of this activity.

2 **EXPLAIN:** Files, documents and books (i.e., all supporting documents and records that are evidence of every transaction that takes place) must be kept in a safe place (with the original relevant documents) in order that that any transaction is traceable. These include:

- The conservancy's budget(s).
- Bank account details and documentation.
- Quotations.
- Invoices.
- 'Income or Expenditure Transaction' form with an attached original receipt, voucher, invoice, deposit slip, etc.
- Receipts (including 'Conservancy Committee Sitting Allowance' form, 'Salary Payslip' form).



- 'Advance Request and Report' form with relevant invoices and/or receipts.
- Bank statements with attached cheques returned by the bank (to be able to check balances).
- Empty cheque books (cheque books already used that only have the cheque stubs or counterfoils in them).
- 'Salary Payslip' forms.
- Triplicate (i.e., 3 copies) pre-numbered receipt book.
- Triplicate (i.e. 3 copies) pre-numbered invoice book.

EXPLAIN: Any quotation, together with its relevant invoice, 'Income or Expenditure Transaction' form, receipt, and any other documentation that is relevant to the specific transaction, should be kept together in one place.

Session 3: Income and expenditure transactions records (*approximately 90 minutes*).

1

EXPLAIN: The conservancy will receive money and make payments on a daily basis. **For every single transaction (money in or out) a written record is required.**

1. The conservancy may receive its own income and/or receive grants from donor organisations. Some of the money received must be kept in a safe and secure cashbox (as little money as possible should be in the cashbox: the CC should decide on the exact amount) and the rest of the money should be kept in a bank account where the money will be safe and earn interest.
2. A pre-numbered triplicate receipt book must be used every time ANY (either cash, cheque or a transfer directly into the bank) money is received.
3. The top copy is given to the person paying (payee), the second copy is attached to the 'Income or Expenditure Transaction' form and placed in the bank/cash file, and the third copy stays in the receipt book.

2

EXPLAIN: We are now going to look at how to use an invoice and receipt book correctly.

DISTRIBUTE: A triplicate invoice and receipt book (blank or one already in use) for all the participants to examine.



EXPLAIN:The following information should be recorded on a receipt (write out the following example on a flipchart sheet, or you may prefer to prepare this in advance as Flipchart Sheet #4):

Number of Receipt: 001

Date: 20 January 2011 (when you received the cash or cheque)

Received from: J. Pieterse (name of person who gave you the cheque or cash)

Amount: N\$ 400-00 four hundred dollars (the amount that you received written in words)

For: camping fees (the reason they gave you the money)

Cash/cheque: CASH (did they pay you in cash or with a cheque?)

Name and signature: P. van Wyk (Manager) (the name and signature of the person receiving the cash or cheque)

NOTE: Deposit any cheque or cash received into the bank account straight away. Do not use any cash received until it has been deposited in the bank first or this can later confuse the accounts as the cash sum is not easily found (traceable) and accounted for.

EXPLAIN: The conservancy must **issue an invoice to a person, partner, client, organisation or business that owes the conservancy money.** A pre-numbered triplicate invoice book must be used to invoice a person, partner, client, organisation or business that owes the conservancy money, including the current contracts that the conservancy has with a trophy hunter or joint venture lodge. The top copy is given to the person owing the money, the second copy is placed in the 'Accounts to be received' file, and the third copy stays in the invoice book.

EXPLAIN:The following information should be recorded on the invoice (write out the following example on a flipchart sheet, or you may prefer to prepare this in advance as Flipchart Sheet #5):

Number of Invoice: 010

Date: 10 January 2011 (when you write out the invoice)

To: Trophy Hunting Safaris (name of person who owes you money)

Amount: N\$ 25 000-00 (the amount that is owed to you)

For: Installment 1 of Hunting Contract 2011 (the reason they need to give you the money)

Name and signature: P. van Wyk (Manager) (the name and signature of the person writing out the invoice)



NOTE: It is very important to invoice people, clients, partners or businesses that owe the conservancy money so that they are made aware that the money is now due to the conservancy.

- The invoice must be issued on time and given (or sent) to the person owing the conservancy money.
- It is very important that the manager follows up and ensures the payment is made on time. If the person owing the money (debtor) does not make the payment in a timely manner, or fails to do so after receiving the invoice and a request to make the payment, then the conservancy can decide how to proceed.
- The conservancy may choose to: ask the support organisation to help in getting their money; take the person to court; cancel the current agreement/contract with the debtor etc.

DISTRIBUTE: Give participants Handouts #9 –#12 (examples of forms that can be used or adapted to the conservancy's needs OR copies of the existing type of form already being used by the conservancy if they are adequate). Explain in detail what these are and how they can be used:

1. 'Income or Expenditure Transaction' form (Handout #9, 2 pages including a blank form).
2. 'Salary Payslip' form (Handout #10, 2 pages including a blank form).
3. 'Conservancy Committee Sitting Allowance' form (Handout #11, 2 pages including a blank form).
4. 'Advance Request and Report' form (Handout#12, 2 pages including a blank form).

Session 4: Recording transactions – using the bank and cash books
(approximately 1 hour).

1 EXPLAIN:

1. The **cash book/form** is used whenever petty cash is received or petty cash is spent.
2. The **bank book/form** is used when any income or payments are made that go through the bank.
3. The cash book and bank book together contain a record of all the financial transactions for the month. We can use two separate books or forms but these are often combined in one book and referred to as a **ledger** or **cash analysis book**, or **cash book**.



4. Every bank account and cash box (petty cash) will need a separate **bank book/form** or **cash book/form**.
5. The cash book and bank book are continually maintained, i.e., the transactions are entered on a daily basis to help keep an up-to-date, running record of the conservancy's finances.

2 **EXPLAIN:** It is a rule of good bookkeeping that every financial transaction (income or expenditure) must be recorded DAILY in the cash book or bank book; have a completed 'Income or Expenditure Transaction' form with the relevant documents attached (receipt, voucher, invoice and/or deposit slip); and must be filed in the correct place. It is also important that all forms and books are completed in pen and no Tippex may be used. If an error is made it should be crossed out with a single line and corrected.

3 **EXPLAIN:** As we saw in Session 1 of Topic 3, it is suggested that the conservancy has 3 bank accounts (this does need to be confirmed by the CC however):

1. **Bank "running costs" account: a cheque/current account** for daily and monthly expenditures.
2. **Bank mother account:** money is transferred from this account to the cheque account on a monthly basis based on a Monthly Budget and previous month's Financial Report. All money (cheques, transfers, deposits) should be deposited in this account.
3. **Bank investment (savings/reserve) account:** good interest-bearing account (such as a 32-day account).

4 **EXPLAIN:** The following information needs to be entered into the bank or cash book (*write out the following on a flipchart sheet, or you may prefer to prepare this in advance as Flipchart Sheet #6*):

1. **Date** of transaction.
2. **Reference number** (cheque number, invoice number, bank statement number etc).
3. **Who** gave money to, or got paid by, the conservancy.
4. **For what:** description of the income or expenditure.
5. **Total line item:** amount must be put in the correct column based on your budget line items under income or expenditure (e.g., income: trophy hunting instalment, or bank interest received).
6. **Amount total:** that was received or paid by the conservancy in the total income or total expenditure column.




5 **EXPLAIN:** At the end of the month, the conservancy will need to finalise the bank books for each bank account; in order to do this it is necessary to refer to the appropriate bank statement. Every entry on the bank statement is checked against the bank book. All the information from the bank statement that is not already recorded in the bank book is then entered, e.g., bank charges paid, bank interest received, and any other entry. The figures in each column are then added up to give the total.


6 **EXPLAIN:** You are now going to **practise filling in a cash book for the petty cash** and a **bank book for each bank account** for the month of January 2011 for the imaginary Nawa Conservancy.

DISTRIBUTE: Handouts #13– #15 (the latter is 4 pages) to participants. **NB:** Make sure each participant or group gets all three pages for Handout #14, i.e., one per bank account.

NOTE: Refer back to the displayed flipchart sheet diagrams that participants created using cards earlier in the workshop for the financial management cycle and the financial management system. Point out where the cash book and bank book fit into the diagrams.

 Participants (working individually or in small, representative groups) must now **enter all the income and expenditure data from the January invoices into the relevant places** in the different columns and rows for the Nawa Conservancy bank or cash book (in the correct date order). Ask the participants if there are any questions before they begin.

NOTE: Tell participants that they may ask any questions at any time if they do not understand something. Go around and see that each participant or group is working through the invoices and receipts correctly. **NB:** Allow plenty of time for the completion of this activity.

7  After the participants have completed the activity above, ask them to suggest how the receipts and invoices should have been entered correctly. Capture the correct answers either under the heading 'Cash book' or 'Bank book' on a flipchart sheet. Make sure to use the dates so that transactions are recorded in the correct sequential order.

DISTRIBUTE: Handouts #16 and 17 (the latter is three pages) and discuss together the information given. Remind participants that in order to complete the bank book for the month it is necessary to refer to the relevant bank statement as we will do now in Session 5.



Session 5: Bank account, bank account, petty cash book and petty cash box reconciliations (*approximately 2 hours*).

1 EXPLAIN:

- **Bank reconciliation forms** are used to reconcile (balance) each of the conservancy's bank accounts' bank statements with the bank book balance.
- The **petty cash reconciliation forms** are used to reconcile (balance) the conservancy's cash in the petty cash box with the balance in the cash book.
- This process involves verifying (confirming) all the accounting records in the cash book with the petty cash box, or the bank book with the bank statements, to make sure that there are no mistakes and that all the accounts' balances and all the money is accounted for. This must be signed off by the relevant authority.

2 EXPLAIN:

1. The bank will send the conservancy a **monthly bank statement by post** (or it can be collected at the branch). This shows an opening balance, plus a listing of all income (IN) and expenditure (OUT) transactions that went through the bank account in question, including the bank charges paid, bank interest received, debit orders, direct deposits or transfers, and transfers between bank accounts during the month. It will then indicate the final closing bank balance. **All the information that is on the bank statement but not in the bank book must now be entered in to the bank book**, e.g., the bank charges paid, bank interest received, debit orders, direct deposits or transfers, transfers between bank accounts etc.
2. The **bank reconciliation form** is filled in monthly for every bank account and compares the monthly bank statement to the monthly bankbook. If there are any differences then these are recorded on the form (for example a cheque may have been issued but it has not gone through the bank yet). The balance reached in the reconciliation should equal the balance in the bankbook.

- 3 **EXPLAIN:** You are now going to **practise finalising bank books and then the cash book for the month** by entering the information that is on the bank statement but not in the bank book and then doing the **bank reconciliations** and the petty **cash reconciliation** for the imaginary Nawa Conservancy.



As this is a complicated process we are going to do it together, step by step. To begin with, I will explain each stage and then you will complete that step in the bank book and then the bank reconciliation process until we have completed the entire process for all three imaginary bank accounts. We will begin with the “running costs” (cheque) bank statement.

DISTRIBUTE: Handouts #18 – #20 to participants.

4 **EXPLAIN:** We are now going to work at **finalising the three bank books** (give participants plenty of time to complete each stage in turn before moving on to the next):

1. Refer back to the completed example (Handout#17) of a “running costs” bank book. Then look through the **“running costs” account bank statement carefully** (make sure all participants carry out this step before proceeding to the next one).
2. Enter any information that is on the “running costs” bank statement but not in the “running costs” bank book into the relevant bank book, e.g., bank charges paid, bank interest received, debit orders, direct deposits or transfers, transfers between bank accounts etc.
3. Now **add up all the different columns in the reconciled bank book** to give the totals for the month for the Nawa Conservancy.
4. At the bottom of the bankbook form is the **Bank Book Summary Reconciliation:**
 - a. Enter the balance brought forward from the previous month (first line of the current month’s bank book balance, Column C).
 - b. Enter the total money received for the month (Total of Income, Column A).
 - c. Enter the total money spent for the month (Total of Expenditure, Column B).
 - d. To work out and enter the bank book balance, add the balance brought forward to the money received and subtract the money spent.
 - e. Enter the final bank statement balance from the month’s bank statement.
 - f. To work out and enter the variation, subtract the bank statement balance from the bank book balance. This difference should be 0 (zero) unless a cheque has been issued but has not yet gone through on the bank statement. Once you have done the bank account reconciliation you will be able to see if this is correct.



5 **EXPLAIN:** We will repeat this, with slight variations as necessary, for the **mother account** and the **investment account**.



Participants (working individually or in small groups) must now complete **all the entries that are not already in the remaining two bank books** (e.g., the bank charges paid, bank interest received, debit orders, direct deposits or transfers, transfers between bank accounts) for the Nawa Conservancy.

NOTE: Tell participants that they may ask any questions at any time if they do not understand something. Go around and see that each participant or group is working through the bank reconciliations correctly. **NB:** Allow plenty of time for the completion of this activity.



6 **DISTRIBUTE:** Handout #21 (three pages) as the completed example of the three monthly bank books and go through the entries together on each form/book to see how the totals were reached.

7 **EXPLAIN:** We are now going to work on **finalising the bank account reconciliations** (give participants plenty of time to complete each stage in turn):

DISTRIBUTE: Make three copies per participant/group of Handout #22 and give these to participants.

1. Enter the “running costs” bank account number, bank **statement number and month** on the first blank form.
2. Enter the **final bank balance** (A) from the “running costs” first bank statement.
3. Enter the **final bank balance** (B1) from the bank book.
4. **Work out the difference** (C) between these two amounts by subtracting the bank book balance from the first bank balance ($C=A-B$).
5. **Check each entry on the “running costs” bank statement against each entry in the “running costs” bank book.** Enter all the information from the bank book that is not on the first bank statement on to the first bank reconciliation form under D (these are the unprocessed cheques/expenditures).
6. Add up the **subtotal of unprocessed cheques (expenditure)** to give you the subtotal of expenditure (E).



7. Subtract the **total of expenditure (E) from final “running costs” bank statement balance (A) to give you the first reconciled bank balance F.** ($F=A-E$). This will be your real “running costs” bank balance after all the cheques have gone through your first bank account.
8. To **check that this is the correct balance**, subtract B from F ($F - B = G$). G should always be '0' (zero) to be correct and balanced.

8

EXPLAIN: We will repeat this, with slight variations as necessary, for the mother account and the Investment accounts.



Participants (working individually or in small groups) must now complete the bank reconciliations for the remaining two bank books for the Nawa Conservancy.

NOTE: Tell participants that they may ask any questions at any time if they do not understand something. Go around and see that each participant is working through the bank reconciliation correctly. **NB:** Allow plenty of time for the completion of this activity.

DISTRIBUTE: Handout #23 (three pages) and discuss together the entries on each form and how the totals were reached.

9

EXPLAIN: We are now going to work on **finalising the petty cash book and petty cash box reconciliation.** (Refer participants back to the completed example of Handout #16.) The cash book for petty cash should give a running balance of what is in the petty cash box. A daily check should be made to confirm that the cash in the box is equal to the balance in the cash book. The petty cash reconciliation form should be checked and signed off on a weekly basis.

10

DISTRIBUTE: Handout #24 (2 pages – a blank and an example) to participants and explain that you are going to go through a completed example of the form together as a group. Go through the form step by step (instructions are given below) and explain how to use the cash book/form to complete the form.

1. Enter the final balance of the cash book/form onto the petty cash count form (A).
2. Then count the actual cash that is in the petty cash box, recording the different coins and notes that are physically in the box, and enter the total amount on the petty cash count form (B).
3. If there is a different between the balance on the cash book/form and the amount of cash in the box, this should be calculated and entered on the form (C).



4. If there is a difference this needs to be explained, recorded and any steps to rectify the situation agreed by the CC and person responsible for the petty cash. This action (and the completed form) is then signed off by the CC reps and the holder of the petty cash box (usually the Treasurer or financial administrator).
5. At the bottom of the cash book form is the **Cash Book Summary Reconciliation**.
6. Enter the balance brought forward from the previous month (first line of the current month's cash book balance, Column C).
7. Enter the total money received for the month (Total of Income, Column A).
8. Enter the total money spent for the month (Total of Expenditure, Column B).
9. To work out and enter the cashbook balance: add the balance brought forward to the money received and subtract the money spent.
10. Enter the amount of cash that is in your petty cash box.
11. To work out and enter the variation, subtract the cash in the petty cash box from the cash book balance. This difference should be 0 (zero). If it is not it means that cash is missing (or there is extra cash) and this must be explained.

DISTRIBUTE: Handout #25 as a completed example of the petty cash book.

11 **SUMMARISE/LINK:** In the Topic 3 sessions we have looked at a number of complex issues, namely: bookkeeping (account systems and records); the supporting documents and records needed for effective financial accounting; different sorts of transactions and how they are recorded; and how to do bank and cash reconciliations. We also undertook a detailed bank reconciliation for the imaginary Nawa Conservancy after a preliminary exercise during which we practised filling in a cash book for the petty cash and a bank book for each bank account for the month of January 2011 for the same conservancy. We now have all the information on income and expenditure and we can prepare the Monthly Financial Report.


In Topic 4 we will look at financial monitoring and reporting and the various reports that can be created to present financial information, but before that let's just go back again and look at our objectives for this workshop to confirm that we are still 'on track' at this point in the workshop (*refer back to the first flipchart sheet – or prepared Flipchart Sheet #1*). Does anyone have any questions before we move on to the next topic?



TOPIC 4: Financial monitoring and reporting


Session 1: The importance of conservancy financial monitoring and reporting (approximately 45 minutes).

ASK: What do we mean by 'financial monitoring and reporting'?

1  Ask participants to consider the above question. Capture the participants' responses on a flipchart sheet under the two headings: 'Financial monitoring' and 'Financial reporting'. If the participants have missed some key points, write them on the flipchart sheet at the end of this activity.

EXPLAIN:

1. **Financial monitoring** is an ongoing activity where the actual situation is compared with the original workplans and budgets to see if the conservancy is on target to achieve its objectives within the agreed time and budget, in order that the workplans and budgets can be amended and adapted where necessary. To monitor the conservancy's financial position, a Financial Report is needed.
2. A **Financial Report** provides a one-page summary of the financial status of the conservancy. The report gives an accurate summary of the conservancy's financial position, which includes how much money was received and how much was spent and compares these amounts to the approved income and expenditure Budget. It also gives a record of the balance of funds in the conservancy and where the balance of the conservancy money can be found.
3. An **Annual Audit** is an annual financial report that is drawn up by an external independent auditor based on the bank statements, documents and records that the conservancy has. The auditors run a check of the documents and reports prepared by the conservancy to verify if the reports are all in order.

2  Ask participants to think about **why they feel financial reports might be important in the context of the conservancy**. Note participants' responses on a flipchart sheet under the heading 'Why are financial reports important to the conservancy?' If the participants have missed any main issues, write them on the flipchart sheet at the end of the activity.



EXPLAIN: We need financial reports in order for the conservancy to carry out the following functions:

1. Monitoring progress (to see if activities were done as agreed in the workplan and Budget).
2. Anticipating (predicting) and planning for any future problems (and to take action where it is required).
3. Ensuring the conservancy is receiving and spending the money as agreed to in the Budget (relating to the achievement of the workplan).
4. Planning and management of use of funds, and adapting workplans and budgets where necessary.
5. Keeping management, CC and members updated on the conservancy's financial position in order to be able to make financial decisions.
6. Reporting to donors.

EXPLAIN: The conservancy legislation (the *Nature Conservation Amendment Act of 1996*) **requires that the conservancy produce an annual financial statement and/or audit**, which must be handed in to Ministry of Environment and Tourism every year. (**NB:** *Emphasise this point.*)

ASK: How often do we need to carry out financial reporting, and who is responsible for this task?



Ask participants **how regularly they think financial reporting should be carried out?** Capture the participants' responses on the flipchart under the heading 'How often do we carry out financial reporting?' If the participants miss any key issues, write them upon the flipchart sheet at the end of the activity.

EXPLAIN:

- **Financial reports** must be prepared by the Treasurer monthly, quarterly (every three months), and annually for use by management and must be handed in on time.
- An **Annual Financial Report** must be presented by the Treasurer to the CC members who then check it, ask any questions, and give their formal approval. This report is then presented to the members at the AGM to check, ask any questions, and give their final approval.
- An **Annual Audit** must be prepared every year by an independent auditor and must be presented and approved by the members at the AGM.




EXPLAIN: As we have mentioned previously, **monitoring should be ongoing** and the information formally recorded by the CC every month and year-end. The annual review process usually takes place towards the end of the year, leading into the following year's budget planning stage. It can be done more frequently to ensure that the Budget is still an appropriate framework for the conservancy.

4 **EXPLAIN:** Earlier in this workshop we looked at the roles and responsibilities of different people in conservancy finances. We identified that the Treasurer (or financial administrator/manager) should be responsible for compiling a financial report, which should be presented to the CC, accepted, and signed off.

REFER: To the 'Roles and responsibilities' card diagram displayed on a flipchart sheet created during an earlier workshop participants' activity.

ASK: Who uses the financial reports?

5  Ask participants to consider the question above. Note participants' responses on a flipchart sheet under the heading 'Who uses the conservancy's financial reports?' If the participants miss out any key stakeholders, write them upon the flipchart sheet at the end of the activity.

EXPLAIN: Whenever you prepare a report, the first thing to think about is **who will be reading and making use of it**. In the case of conservancy financial reports, the end users are:

- Conservancy members.
- The Conservancy Committee.
- Conservancy staff.
- Donors.
- The Ministry of Environment and Tourism.
- Other stakeholders, such as NGO partners.

The financial reports tell the 'story of the conservancy'. We need to tell this in a way that is easy to understand, so that our CC, staff and members are well informed, and can make decisions to manage the conservancy resources better.

EXPLAIN: A financial report needs to contain enough information for monitoring and decision making, but not be too detailed or too brief. A financial report of any description should be compiled with the following questions in mind:



LIST:

- What information do the people reading the report want and need to know?
- What money has been earned, and from which source?
- What money has been spent, and what it has been spent on?
- What funds are remaining, and where are they?
- Are we doing what we planned, and spending the money as planned (how it compares to the Budget)?

7

EXPLAIN: Remember that in order to prepare any financial report it is necessary to have all the bank books and cash books for the specific period (month, quarter or year), a copy of the the conservancy Budget, and the bank reconciliation forms (to compare the amount/calculations).

Session 2: The Monthly Financial Report (*approximately 50 minutes*).

1

EXPLAIN: We are now going to draw up **monthly Financial Report** for January 2011 for the imaginary Nawa Conservancy. Again, this is quite a complicated process so I am going to guide you through it step by step.

DISTRIBUTE: Handout #26 to participants.

2



Participants should work individually (or in small groups, depending on their existing knowledge of preparing financial reports) to enter all the following information, which you will guide them through as you did previously when they were doing the bank reconciliation activity in Topic 3.

EXPLAIN: For both the income and expenditure enter the following information (and give participants plenty of time to complete each stage in turn as you go through them step by step).

1. **Budget (A).** Enter the planned income and expenditure figures of your Annual Budget (use the Budget shown in Handout #8) into Column A (from the Budget approved by AGM).
2. **Previous income/expenditure (B).** Enter the figures for total income/expenditure from your previous Monthly Financial Report into Column B.



3. **Current month (C).** Enter the current month figures (add the amounts from your different bankbooks and petty cash book for each budget line item). Remember that for some budget lines there will be expenses recorded in the bank book as well as the petty cash book. Enter these figures into the Columns under C and total the expense amounts in Column D. Enter the subtotal for each budget category (e.g., salaries/benefits) and then calculate and enter the total expenditure for all the categories in row G showing the TOTAL EXPENDITURE for each column.
4. **Total income/expenditure (E).** Add the amounts in Column B (previous expenditure) and Column D (current month's expenditure) and enter this total amount into Column E. This has to be calculated for each of the budget lines. This will give you the total expenditure to date for the financial year. Repeat the same process for the income section at the top of the report.
5. **Balance (F).** Calculate the balance of funds as follows. Subtract the amount in the TOTAL EXPENDITURE, Column E, from the total amount in the Annual BUDGET, Column A. This will give you the balance figure that should be entered into Column F. This has to be calculated for each of the budget lines. Repeat the same process for the income section at the top of the report.
6. **Total income (G) and total expenditure (H).** Add the amounts in each column to calculate the totals for Row G (Total Income) and Row H (Total Expenditure).
7. **Variation income vs. expenditure (I):** Subtract the total for each column in Row H (Total Expenditure) from Row G (Total Income). This will give you the difference (variation/result) between total income and expenditure for the month and the year to date, and should be entered into Row I.
8. **What is the balance of the money (J)?** For each bank account and the petty cashbook, fill in the balance brought forward from the previous month in Row J (i.e., balance brought forward for the bank books and petty cash book),
9. Enter the total income for each of the bank books and petty cash book in Row K. The information needed is contained in Row G.
10. Enter the total of expenditure for each of the bank books and petty cash book in Row L. The information needed is contained in Row H.
11. **Total balance of money.** For each bank book and the cash book, add the figures in Rows J and K. Then subtract figures in Row L and enter this figure into Row O. Add all these totals and write the grand total figure in Column F in Row O.
12. **Variation:** Subtract the final total (P) from the total balance (O) and enter into Q - this difference should always be '0' (zero). If it is not, it is necessary to go back and double check for any mistakes.




3 **EXPLAIN:** We are now going to **reconcile the total balances** in each of the bank and cash books with the totals given on the Monthly Financial Report form. (Go through the table on the bottom right-hand side of the form, called 'Where is the money being held?', with the participants.)

1. **Where is the money being held (J)?** Enter the final balance for each of your bank accounts from the bank statements, and petty cash box from the petty cash reconciliation form, into the corresponding rows (J – Row M) in the box on the bottom right-hand side of the form (column F). Enter any advances, debtors or loans in Row N. Then add all the final statement amounts, reconciled petty cash box balance and advances, debtors and loans (Row J – N) to give you the total balance in Row P.
2. Subtract the total in Row P (Total 'What is Balance of Money?') from total in Row O, Column F and place this figure in Row Q to give you difference of the two totals. This figure should be '0' (zero). If the figure is NOT 0 (zero) then it will be necessary to go back and check for the error on the cash or petty cash books or in the Monthly Financial Report form.

The Monthly Financial Report must then be signed off by the person who prepared the report, giving the date of preparation, and then be signed by the person who approves the report, and date of approval. This information should be filled in at the bottom of the Monthly Financial Report form which is then filed for safe-keeping.

NOTE: Tell participants that they may ask any questions at any time if they do not understand something. Go around and see that each participant (or group of participants) is working through the stages in this Monthly Financial Report activity in turn. **NB:** Allow plenty of time for the completion of this activity.

4  Now go through the Monthly Financial Report entries together and ask participants to suggest the correct amounts for each entry in the report document. Take time to discuss any queries and answer any questions that the participants may have.

5 **DISTRIBUTE:** Handout #27 and discuss the completed example together.

EXPLAIN: Now that you know how to draw up a Monthly Financial Report, we will look together at how to draw up an Annual Financial Report.



Session 3: The Annual Financial Report and Annual Audit Statement

(approximately 1 hour, 50 minutes).

ASK: How does the conservancy compile its Annual Financial Report?

1 **EXPLAIN:** The procedure for drawing up an **Annual Financial Report** is similar to compiling the Monthly Financial Report. For both the income and expenditure we enter the following information:

1. **Budget.** Enter the figures for the Annual Budget (from the Budget approved at the AGM).
2. **Total actual income and expenditure.** Enter the annual total income and expenditure for your bank books and cash book. This figure is obtained from the last Monthly Financial Report in the conservancy's financial year.
3. **Balance: budget minus total expenditure** (subtract the total expenditure from the approved Budget).

EXPLAIN: The Annual Financial Report must also have the following information on it:

- Prepared by: name of person preparing the Annual Financial Report.
- Date: on what date was the Annual Financial Report prepared?
- Reviewed by: who reviewed and approved the Annual Financial Report.
- Date: when the Annual Financial Report was reviewed and approved.

2 **ASK:** Participants to look again at Handout #5 (from the budgeting activity previously) as an example of an Annual Financial Report. Make sure to highlight the following:

1. This Annual Financial Report is now ready to be presented to the CC for approval and then to the conservancy members at the AGM for final approval and sign off.
2. Once the CC and AGM have reviewed and accepted the Annual Financial Report and it has been signed off, the Annual Financial Report should be safely filed together with other financial documents in the conservancy office.

ASK: What format should the Annual Financial Report be in?

3 Ask participants to consider the question above, then record their responses on a flipchart sheet under the heading '**Format of the Annual Financial Report**'.



EXPLAIN: Any financial report such as the Monthly or Annual Financial Report must be a written (paper) report that is filed in the report file, in the interests of traceability and accountability. However, some conservancy members may not be able to read and write – for them it will be very difficult to understand a written Annual Financial Report. We need to think of another way of presenting those figures to the members to make the information as understandable as possible.

One way of doing this is by using pictures rather than words. **A graph is a way of translating numbers into a picture.** Just as the Community Game Guards use graphs to show members information about the numbers of wildlife in their conservancy, we can do the same thing for the numbers in our accounts.


4 **EXPLAIN:** Let's look together at how to prepare a graph from a written Annual Financial Report. (*You may prefer to illustrate your explanation by drawing an example of a graph on a flipchart sheet*). A graph has:

X axis (columns), which is the line going horizontally along the bottom of the graph. We use this to represent the line item or category (e.g., salaries, office running costs etc.). From the Budget and expenditure it is possible to decide how many columns (line items) there will need to be (if you have 5 line items then use 5 columns).

Y axis (rows), which is the line going vertically up the side of the graph. We use this to represent the value in N\$ (e.g., 0, N\$50,000, N\$ 100,000 etc). From the Budget and expenditure it is possible to decide up to what amount the rows will need to go (if your budget is expected to go to N\$317,000-00 then maybe use 8 x N\$ 50,000-00 intervals).

5 **EXPLAIN:** We are now going to convert the Annual Financial Report data for 2010 (Handout #5) for the imaginary Nawa Conservancy into a graph format. For this activity you will therefore need to refer to your copies of Handout #5 (from the budgeting activity earlier in this workshop). As this may be a process that is unfamiliar to you, we are going to do it step by step together. I will explain each stage and then you will complete that step in creating your graph (there will be three in total) until we have completed the entire process. Please do ask me if there is anything you do not understand at any stage of this activity.

DISTRIBUTE: Sheets of graph paper, several for each participant.

6  Participants should work individually or in small groups (see previous note) to **create three graphs from the data provided in Handout #5.** You will guide them through the stages as you did previously, giving them plenty of time to finish each step for each graph in turn.



EXPLAIN: We will now draw up three different graphs from the same report data. The first graph will **show and compare the budget against actual expenditure**.

1. **Prepare your graph** on the graph paper provided by placing values and line items on your Y and X axis respectively.
2. Each budget line item will have a **budget column** with an **expenditure column** next to it.
3. Use a **Key** to explain which colour is the budget and which colour is the expenditure.
4. Refer back to the written Annual Financial Report (in this instance, Handout #5). Enter your N\$ line item budget totals in one column and next to it your line item expenditure columns' totals by colouring in up to the correct amount (from the Budget and the expenditure data) on to your graph.

DISTRIBUTE: Handout #28 so that participants can see what the completed graph ought to look like and discuss the graph together.

EXPLAIN: The second graph will show and compare the conservancy's **actual income against the income received**. Go through the steps 1 – 4 that you followed in completing the first graph in this activity, except use different information for your X and Y axis. (**NB:** Go through the steps 1 – 4 with participants, as previously).

DISTRIBUTE: Handout #29 so that participants can see what the second graph ought to look like and discuss the graph together.

EXPLAIN: The third graph will show and compare the conservancy's **total actual income against the actual expenditure**. Completing this graph is a somewhat simpler process than it was for the previous graphs in this activity (**NB:** go through the simplified steps with participants).

DISTRIBUTE: Handout #30 so that participants can see what the final graph ought to look like and discuss the graph together.

EXPLAIN: The Annual Financial Report plus all the records and source documents of the conservancy will be required for the **independent financial audit**.



8 **EXPLAIN:** An **Annual Audit Statement** is the complete record of all conservancy expenditure and income for a year, as shown by the bookkeeping system (accounting system and records), and checked and approved by a qualified, independent auditor (accountant). Annual audited statements are independent, final, and valid reports of the conservancy finances. They are important for the following reasons:

1. The Annual Audited Statement is an important tool for conservancy budgeting as it allows the conservancy to check how accurate their budgeting was, and helps to make budgeting more accurate in the future.
2. The Annual Audited Statement shows exactly how much money was spent during the year, what it was spent on, where conservancy income came from, and whether the conservancy spent more or less than it had. The audit also checks how accurate the bookkeeping has been.
3. Conservancies are required by law to have their books audited at the end of each financial year.
4. Donors use the Annual Audited Statement to check how good the financial management in the conservancy is, before they give any more money.

9 **EXPLAIN:** **An audit report/statement should be presented and approved by members at every AGM.** The previous year's Annual Audited Statement must be presented to the members to show the results of the audit so they can approve and sign off on the conservancy Annual Financial Report. The Annual Audited Statement is therefore used by the following stakeholders:

- Conservancy Committee
- Members
- Conservancy staff
- Ministry of Environment and Tourism
- NGO partners
- Donors



10 **EXPLAIN:** The Financial Manager/Administrator/Treasurer should assist the CC to prepare well in advance for an audit. Here is an outline of the process:

1. The Treasurer is responsible for getting the conservancy's annual financial records in order, and the CC should check them.
2. The bookkeeper, together with the Treasurer, should draw up financial statements for the conservancy and ensure that everything is correct.
3. Before calling in the auditor, the Treasurer should ensure the following:
 - a. Check authenticity of every invoice.
 - b. Check every voucher.
 - c. Check signatories (on pay sheets, expenditure and payment vouchers).
 - d. Do all other necessary checks.
4. The Treasurer must provide the auditor with an Annual Financial Report for the period/year to be audited. In addition, all other statements and documents the auditor might need or request as other evidence should be made available. These will include: minutes of conservancy meetings; copies of contracts (such as hunting or joint venture lodge contracts); the conservancy constitution; policy and procedures documents etc.
5. The auditor will then:
 - a. Conduct the audit based on all documentation provided by the bookkeeper and the Treasurer.
 - b. Provide the CC with a draft Annual Audited Statement; the CC will then check and approve the draft document. The auditor will be informed if the CC would like to make any reasonable changes.
 - c. The auditor will then provide the CC with sufficient copies of the finalised Annual Audited Statement. These get checked and signed off by the Treasurer and CC. The Treasurer distributes signed copies to all relevant stakeholders (members at the AGM, donors, MET etc.). The members at the AGM must give their final approval to the Annual Audited Statement.



11 **SUMMARISE and DISPLAY:** The following information in table form on a flipchart sheet (you may prefer to prepare it in advance as Flipchart Sheet #7).

Summary of conservancy financial reporting system:

Report needed	How often?	Who prepares it?	Who approves and signs off?
Monthly	Every month	Treasurer and bookkeeper	CC
Quarterly	Every 3 months	Treasurer and bookkeeper	CC
Annual	Every financial year	Treasurer and bookkeeper	CC and members at AGM
Annual Audit	Every financial year	Independent auditor	CC and members at AGM

12 **SUMMARISE/LINK:** In the three Topic 4 sessions we have examined the importance of financial monitoring and reporting in the conservancy context, and then looked at different types of financial reports. We also did an activity where we drew up a Monthly Financial Report for the imaginary Nawa Conservancy and practised important skills in creating graphs.


In Topic 5 we will look at policies and procedures for financial control but before that let's just go back once more and look at our objectives for this workshop to confirm that we remain 'on track' at this stage (refer back to the first flipchart sheet – or prepared Flipchart Sheet #1). Does anyone have any questions before we move on to the next topic?



TOPIC 5: Financial control: policies and procedures

Session 1: Background to policies and procedures for conservancy financial management (*approximately 45 minutes*)

ASK: What are policies and procedures?


1  Ask participants what they **understand by the words 'policy' and 'procedure'?** Capture the participants' responses on a flipchart sheet under the relevant headings, either 'What is a conservancy policy?' or 'What is a conservancy procedure?' If the participants miss out any key points, write them upon the flipchart sheet at the end of the activity.

EXPLAIN: (you may wish to write this information up on a flipchart sheet):

- A **policy is a rule** set by the Conservancy Committee.
 - A **procedure is a step-by-step process** for how to implement the policy.
1. Policies are a set of documents that describe the conservancy's rules for operating along with the procedures necessary to fulfil these policies.
 2. For the conservancy's financial system to work efficiently and effectively, financial policies and procedures must be in place. There are tasks and activities that must be done for a financial management system to work properly and smoothly, and these must be done by people identified by the conservancy.
 3. Financial management policies and procedures must be regularly reviewed and updated to ensure they remain relevant. The process to review and to amend policies needs to be clear so that everyone who is affected will have the latest version of the policy to work from.
 4. Clear lines of communication, and clear roles and responsibilities of those in authority in the different structures (e.g., Treasurer, Conservancy Manager, CC, staff and members), need to be developed and agreed upon so that there is accountability and transparency.
 5. Financial management policies and procedures form a detailed system that stipulates how the conservancy is going to generate, spend and manage its financial and related resources, and who is responsible for these tasks.




ASK: What are the guiding principles in financial management policies and procedures?

2  Ask participants to consider the above question. Capture participants' responses on a flipchart sheet under the heading 'Guiding principles for financial management policies and procedures'. If the participants miss any key principles, write them upon the flipchart sheet at the end of the activity. (If they mention any not listed below, add them to the flipchart sheet too.)

EXPLAIN: Here are the principles that should guide financial management policies and procedures:

1. There should be adherence to strict accounting practices by conservancy staff, CC and members.
2. In line with the conservancy's purpose and mission, the common goal for all members, staff and CC members is to ensure that the resources (money earned by the conservancy and other assets, e.g., vehicle) are used in the best interests of its members in a way that benefits the conservancy as a whole, and not just a few individuals.
3. Financial accounting and management needs to be standardised and kept up to date, and the policies and procedures will help ensure this. The system depends on the people who are running it, and will not work unless they are:
 - a. Consistent: this means that they follow the system and do things in the same way every time.
 - b. Regular: this means that they complete their records either immediately after a transaction has taken place or on a regular and frequent basis. If this is not done, then the details of transactions will be forgotten or recorded incorrectly.
4. It is important that the responsible people and/or conservancy structures (committees) are given the necessary training to be able to do their tasks.
5. With authority comes responsibility. Individuals who have the authority to sign cheques and withdraw money from the bank also have the responsibility to ensure that that money is used only for approved conservancy expenses.

ASK: Why are financial management policies and procedures needed by a conservancy?

3  Ask participants why they think these **policies and procedures are needed in the conservancy**. Record participants' responses on a flipchart sheet under the heading 'Why do we need policies and procedures for financial management in the conservancy?'. If the participants miss any key issues, write them upon the flipchart sheet at the end of this activity.



EXPLAIN: Financial management policies and procedures are important for staff, management and members so that they:

- Have a clear set of guidelines and rules for managing the money of the conservancy that apply to all the staff, CC and general members.
- Have clear roles and responsibilities.
- Know what is expected of them.
- Can refer to the policies in order to identify when they are asked to perform a task or role that is outside policy.
- Have a way of setting and communicating the values of the conservancy both internally and externally.
- Have a framework for managing the conservancy.
- Are provided with a degree of protection when challenged about issues that are beyond their control, and – alternatively – where people have been following proper procedures.

NOTE: Add any additional ideas that participants might mention to the list above.

4 **EXPLAIN:** Financial management policies and procedures are developed by conservancy members themselves, through their CC, with advice and support from their support agencies (such as NGOs) and MET, and can be changed by agreement when necessary. An ideal is for the conservancy to create an open forum where staff members, CC members and general members participate, decide on, and/or review how financial systems have to work. Policies are developed by the CC and/or the Conservancy Manager.

- Financial management policies and procedures are approved by the conservancy membership at the Annual General Meeting (AGM).
- The members are responsible for approving the Budget and holding the conservancy staff and CC accountable for the way that they manage the conservancy's resources.

5 **EXPLAIN:** The CC should monitor implementation and compliance of financial management policies and procedures by the staff, members and the CC itself, while the members should monitor compliance by the CC and staff.



Session 2: Developing policies and procedures for conservancy financial management (*approximately 1 hour*).

1 **EXPLAIN:** One of the first steps in developing a control system of financial management policies and procedures is to decide **who has the authority** (the right to make decisions) and responsibility for various actions.

2 **REFER:** Participants back to the displayed flipchart depicting the 'Roles and responsibilities' flowchart diagram that they created earlier in the workshop (Topic 1, Session 2, Step 4).

EXPLAIN: As we saw in this previous activity, there are three groups with roles and responsibilities in terms of conservancy financial management: members, CC and staff. Let's re-examine how authority is divided among the three groups:

1. The **CC is responsible for:**

- a. Developing financial management policies and procedures.
- b. Ensuring that these policies are respected and that the procedures are used correctly.
- c. Adopting a Budget and approving expenditures according to the Budget.
- d. Reporting back on the financial status of the conservancy to the members and MET.

2. The **conservancy staff members are responsible for:**

- a. Respecting/following all of the policies and procedures adopted by the CC.
- b. Handling all conservancy funds and assets in an honest, transparent manner.

3. The **members are responsible for:**

- a. Approving the Budget, the financial reports, and policy and procedures at the AGM.
- b. Holding the CC and staff accountable for the way that they manage the conservancy's resources.

EXPLAIN: The common goal for all three groups is to ensure that the resources (money earned by the conservancy and other assets) are used to benefit the conservancy as a whole, and not just a few individuals.



3

EXPLAIN: There are different categories of assets: a.) cash; b.) bank accounts; c.) loans and advances; d.) physical assets (equipment, etc.); and e.) expenditure.



Participants should think about the different types of threats there are to each of these categories of assets, and then suggest ways of minimising those threats; i.e., **control procedures**. Draw the following table (blank at first) on a flipchart sheet and use it to record participants' responses (you may prefer to prepare it in advance as Flipchart Sheet #8 although you will not be able to laminate it, obviously).

NOTE: Make sure that when the table is completed at the end of this activity, you have assisted the participants in identifying all the threats given below:

Asset	Threat	Control procedures
Cash	<ul style="list-style-type: none"> Cash is stolen Cash is misused Cash is lost Receipts are lost 	<ol style="list-style-type: none"> Locked cash box Only one key / one person responsible Petty cash counts Cash is always kept in box Maximum amount in box Every transaction is recorded Receipts are referenced, and filed in sequential order
Bank account	<ul style="list-style-type: none"> Unauthorised withdrawals from bank Cash taken from bank is not recorded No cash left in bank; account is overdrawn and there is no money to pay expenses so the conservancy can operate 	<ol style="list-style-type: none"> Two signatories Document process of how withdrawals are done Approval document for withdrawal from bank Record all transactions Check bank statements regularly
Loans and advances	<ul style="list-style-type: none"> Too much money given as advance Advances are not repaid Loans are not repaid Loans are given without approval 	<ol style="list-style-type: none"> Approval document for advance Advances are recorded Loans are recorded Loan policy is developed / or no loans Repayment schedule is agreed Get stop order on salary Only lend to people who can repay
Equipment	<ul style="list-style-type: none"> Equipment is lost Equipment is abused or damaged Equipment is used for personal use 	<ol style="list-style-type: none"> Keep a register of equipment, with location and / or person responsible. Save up to renew / replace equipment Physically check equipment on regular basis
Expenditures	<ul style="list-style-type: none"> Money is spent which is not approved Expenditure is not recorded Too much money is spent Money is spent on wrong things 	<ol style="list-style-type: none"> Have properly approved Budget Review actual vs. Budget spend monthly Have approval document before money is spent or withdrawn from bank Have the members understand and approve the Budget Regular financial reports back to the members



4 **ASK:** Participants to give you feedback on the control measures identified. Spend some time on the feedback stage and emphasise the most important controls available to the conservancy.

5 **EXPLAIN:** Now that you have created a table showing conservancy control measures for protecting against threats to financial assets, in the next activity you will use this table, as well as the information that you have learnt up to this point in your training, to identify some **financial management policies, procedures and rules that could be developed for your own conservancy.**



Ask participants to refer back to the Step 3 table above to think about what they see as some of the **key aspects of financial management where their conservancy needs to establish policies and procedures.**

Capture the participants' responses on a flipchart sheet under the heading 'What key aspects of our conservancy's financial management need policies and procedures?'. If the participants miss any key issues listed below, write them upon the flipchart sheet at the end of the activity.

LIST: Here are the key aspects of financial management that are common to most conservancies in Namibia (add any others suggested by participants and underline all those identified by participants as being important at their particular conservancy).

- Authority to handle conservancy funds
- Bank account management
- Type of bank accounts
- Purpose of each bank account
- Where accounts are to be held
- Bank or loan account opening and closing procedures
- Procedure for receiving, depositing, bank loan repayments and withdrawing money from bank accounts
- Signatories
- Contract and legal considerations
- Petty cash management
- Theft or fraud and misuse
- Fuel procurement and use
- Transport
- Travel and expenses
- Salaries
- Benefit distribution
- Cash requisition and return
- Advances
- Billing and invoicing partners and clients
- Handling and processing of cheques
- Payments
- Financial reporting
- Budgets
- Asset management
- Audits
- Insurance

NOTE: Retain this flipchart sheet for use in a Session 3 activity later.




6 **EXPLAIN:** In order for a conservancy to be able to draft its own policies and procedures, it needs to create an open forum where staff, CC members and conservancy members participate and decide on, and/or review, how financial systems have to work. In the next session you will have an opportunity to decide on the draft policies for the above aspects we have just identified in this activity, and develop the relevant policies and procedures for presentation to your conservancy stakeholders.

DISTRIBUTE: An example of a conservancy financial management policy and procedures document and discuss this together.

Session 3: Drafting financial management policies and procedures for the conservancy (approximately 2 hours).

1 **DISPLAY:** The flipchart sheet table from Topic 5 Session 2, Step 5.

2  Participants should work in their conservancy groups, with plenty of targeted support from the trainer, to create a **draft set of policies and procedures** for the management of their conservancy's financial resources, using the flipchart sheet displayed to guide them and make sure they have not missed out any key aspects. Note that it is not necessary to write the ideas up as a full document but rather just note for each aspect what the key rules (policies) and steps to be followed (procedures) are. This can be drafted into a proper document once the ideas have been reviewed, revised and accepted by the wider committee and other necessary representatives for presentation to members.

3 **EXPLAIN:** The end result of your activity is a **draft financial management policy and procedures document** that you can use once it has been finalised. Please note that you will only be able to use this only once it has been approved by the relevant stakeholders in each instance. So your next step is to present it to the relevant people for revision, finalisation and formal approval.

4 **NOTE:** Again, this activity is collaborative, time-consuming and involves a degree of trial and error, so you will need to set aside a number of hours to complete it satisfactorily.



5 **SUMMARISE/LINK:** In this final topic of the Financial Management Module, we examined the reasons why conservancies need policies and procedures in place for good financial management and how these are decided upon through a collective effort. In the second session we began to examine, in the context of your own conservancy, the threats to conservancy assets and how control measures could be put in place to address these. In the third session each conservancy group took the first step towards creating draft financial management policies and procedures for their own conservancy.

Let's just go back one last time and look at our objectives for this workshop to confirm that we have now covered all of them in the course of this training (*refer back to the first flipchart sheet – or prepared Flipchart Sheet #1*). Does anyone have any questions?



List of Handouts that you should make available for this Module

- MODULE 1.8, HANDOUT #1: Conservancy financial management cycle
- MODULE 1.8, HANDOUT #2: Roles and responsibilities in conservancy financial management (3 pages)
- MODULE 1.8, HANDOUT #3: Conservancy financial management system
- MODULE 1.8, HANDOUT #4: Case study: Nawa Conservancy (2 pages)
- MODULE 1.8, HANDOUT #5: Nawa Conservancy: previous year's Financial Report (2 pages)
- MODULE 1.8, HANDOUT #6: Nawa Conservancy: Annual Workplans 2011
- MODULE 1.8, HANDOUT #7: Nawa Conservancy: blank budget form 2011
- MODULE 1.8, HANDOUT #8: Nawa Conservancy: Annual Budget 2011
- MODULE 1.8, HANDOUT #9: 'Income or Expenditure Transaction' form, Nawa Conservancy (2 pages, including 1 x blank form)
- MODULE 1.8, HANDOUT #10: 'Salary Payslip' form, Nawa Conservancy (2 pages, including 1 x blank form)
- MODULE 1.8, HANDOUT #11: 'Conservancy Committee Sitting Allowance' form, Nawa Conservancy (2 pages, including 1 x blank form)
- MODULE 1.8, HANDOUT #12: 'Advance Request and Report' form, Nawa Conservancy (2 pages, including 1 x blank form)
- MODULE 1.8, HANDOUT #13: Nawa Conservancy: blank petty cash book
- MODULE 1.8, HANDOUT #14: Nawa Conservancy: blank cashbook (3 pages)
- MODULE 1.8, HANDOUT #15: Income and expenditure (invoices and receipts) for Nawa Conservancy, January 2011 (4 pages)
- MODULE 1.8, HANDOUT #16: Cash book for Nawa Conservancy, January 2011 (completed example)
- MODULE 1.8, HANDOUT #17: Bank book for Nawa Conservancy, January 2011 (completed example, 3 pages)
- MODULE 1.8, HANDOUT #18: Bank statement for cheque ("running costs") account, Nawa Conservancy, January 2011
- MODULE 1.8, HANDOUT #19: Bank statement for mother account, Nawa Conservancy, January 2011
- MODULE 1.8, HANDOUT #20: Bank statement for investment account, Nawa Conservancy, January 2011



- MODULE 1.8, HANDOUT #21: Bankbook reconciliation form, Nawa Conservancy (completed example, 3 pages)
- MODULE 1.8, HANDOUT #22: Bank account reconciliation form (blank), 3 copies for each group/participant
- MODULE 1.8, HANDOUT #23: Bank account reconciliation, Nawa Conservancy (3 pages)
- MODULE 1.8, HANDOUT #24: Petty cash book reconciliation form, blank and example (2 pages)
- MODULE 1.8, HANDOUT #25: Petty cash book reconciliation, Nawa Conservancy (completed example)
- MODULE 1.8, HANDOUT #26: Nawa Conservancy: blank 'Monthly Financial Report' form
- MODULE 1.8, HANDOUT #27: Nawa Conservancy, January 2011 Monthly Financial Report (completed example)
- MODULE 1.8, HANDOUT #28: Nawa Conservancy, January to December 2010, Annual Report Graph: Budget vs. Actual Expenditure
- MODULE 1.8, HANDOUT #29: Nawa Conservancy, January to December 2010, Annual Report Graph: Expected Income vs. Actual Income
- MODULE 1.8, HANDOUT #30: Nawa Conservancy, January to December 2010, Annual Report Graph: Total Actual Income vs. Actual Expenditure

All Handouts are one page only, unless otherwise specified. Please make sure that you make enough copies for each trainee/group.

Also make sure to have available:

- All documentation relating to individual conservancy finances that will be needed to complete some of the activities in this training.
- An example of a conservancy financial management policies and procedures document.
- A triplicate receipt book (blank, or with any confidential or sensitive information removed).
- A triplicate invoice book (blank, or with any confidential or sensitive information removed).





NOTES



