



Botswana Network of People Living With HIV and AIDS

Financial Management Manual for Support Groups Policy, Guidelines and Systems

Botswana Network of People Living with HIV/AIDS
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1. Introduction

The success of any Support Group depends on their capacity to raise enough money and other resources for activities and their ability to manage the resources efficiently and properly. Continued financial support to any group depends on the degree of their accountability and transparency in the way they use their funds. Proper management of funds requires good and adequate systems, policies, tools and basic understanding of book keeping and accounting.

This manual is intended to assist Support Groups of People Living with HIV/AIDS to manage their funds properly. The manual has defined procedures for financial recording, accounting and control, setting basic standards by which Support Groups financial management performance can be measured.

The system is designed in such a way that if properly maintained it becomes a source of financial information for project managers, donors and others interested parties.

2. Source of funds for supports Groups

Support Groups generate their funds from a variety of sources. The following are the most common source:

- 2.1 **Membership fees:** Membership fee is money paid to a Support Group by a person who wishes to become a member. The membership fees can be a one time off payment (for life) or it may be payable annually. The fees are determined by members from time to time during their general meetings.
- 2.2 **Regular contributions by members:** The members of a support group may decide to contribute additional money on a regular basis to their support group. It is a show of commitment to the work and ownership of the support group. The amount could be fixed or based on voluntary contribution, depending the ability of the individual member.
- 2.3 **Funds from Income Generating Activities:** Funds from Income Generating Activities are usually money made from the sale of products generated by such activities.
- 2.4 **General Donations by Friends and well wishers:** These are funds that are given by friends and well wishes to support the work of the Support Group.
- 2.5 **Project Grants:** Project Grants are funds secured or raised from a donor or government for a specific activity. Normally projects grants have to be spent within a specified timeframe.
- 2.6 **Interest from revolving loans operated by Support Groups:** Some Support Groups have established their own locally managed revolving loan funds from where they lend money to their members with interest. Members pay the money back to the Support Group in a given time. The interest is an considered an income.
- 2.7 **Interest from bank deposits:** Interest from the Bank is earned on the deposits that a Support Group makes to the bank. Different banks have different interest rates for different periods of time.
- 2.8 **Money from sale of assets:** This is money earned by selling some of the assets that belong to the Support Group.

3. Policies for financial management

Financial management policies and guidelines are meant to provide an objective and strategic orientation on how to manage funds. Using set policies and guidelines helps Support Groups to avoid confusion, conflict and misuse of funds. The policies and guidelines facilitate objective and transparent decision making on matters related to funds. The following broad guidelines are intended to assist Support Groups in the financial management efforts.

- 3.1 All Support Groups shall maintain a bank or bank accounts with a commercial bank or post bank nearest to them.
- 3.2 Support Groups shall designate at least three people as signatories to all bank accounts.
- 3.3 All cheques payments must be signed by a minimum of two of the designated persons.
- 3.4 No funds obtained by the Support Group in any form shall be shared among members as dividends.
- 3.5 Upon dissolution or voluntary closure of the Support Group, the assets and any money held in its name in bank account shall be disposed off in accordance with the provisions of the constitution.
- 3.6 In the case of un-registered Support Groups, the laws governing the dissolution of non profit making organisation in Botswana will apply in determining the disposal of such assets.
- 3.7 All accounting records will be maintained on a historical basis.
- 3.8 Project grants will be recorded by donor and project or activity using the format shown in *table 1* below.
- 3.9 Donations in kind will be recorded in a separately book and the value calculated at market value.

4. Financial Accountability

- 4.1 The Executive Committee or the Board of the Support Group, whichever the case maybe is ultimately responsible for the management and accountability for all funds.
- 4.2 They are accountable in the first instance to their membership and ultimately to the government or the donor(s) who provided the funds.
- 4.3 The Treasurer will be the official custodian of the Support Group funds.

5. Managing Project Grants

As mentioned earlier Project Grants are money received for specific projects or activities from the government or a particular donor. Project Grants must be used within a specified timeframe. Some projects have more than one donor providing funds. These funds must be captured properly in the Support Group records and in particular the books of account.

The following guidelines will be used to manage project grants:

- 4.1 Project Grants must be used in accordance to what they were asked for. Funds should not be diverted to other uses without the permission from the donor.
- 4.2 Once the funds are received, this should be recorded in two different books. **First** in the Project Grants Book (see table 1) showing the date, the donor, the total amount received, and the distribution of the funds by projects, if this is the case. The **second** record is made in your Accounts books in the column of income, indicating source and amount.

4.3 All grants in foreign currency must be converted to Pula using the prevailing exchange rate.

Table 1: Project Grants Record Book

Date received	Donor	Total Grant	Project Funded (BWP)			
			Orphan	Poultry	Gardening	Pottery
11/2/2002	Oakwood Foundation	50,000	25,000	0	25,000	0
27/10/2002	BONEPWA	12,000	0	P12,000	0	0
1/5/2003	Government of Botswana	100,000	35,000	15,000	30,000	20,000
19/9/2004	John Fletcher Foundation	15,000	0	0	0	15,000
5/5/2005	Global Fund	150,000	50,000	50,000	25,000	25,000

4.4 Where the project has more than one donor this should be shown in the record book as shown above. It is good for the Support Groups show of transparency.

4.5 Some donors may require your Support Groups to open a special bank account for their grant. Make sure that you understand all the donor requirements related to the management of the grant.

4.6 All funds must be accounted for and reports made to the donors on how the funds were used. When reporting use the donor format where provided. If no donor report format is provided improvise your own report format that captures all the information need. You must be able to show how much you received, how much you spent, on what activities, and what funds are remaining. if you have overspent indicate this in your report and show why you over spent.

The following is a suggested format that you can use in case a donor has not provided you with one.

Table 2: Improvised Financial Report Format

code	Main activity	Sub Activity	activity cost (expenditure)	Balance remaining
1	Poultry Farm	1. Construction	450	34
		2. Purchase of chicks	123	0
		3. Veterinary costs	54	0
2	Vegetable garden	1. installation of water pipes	100	(38)
		2. Purchase seedling	60	5
3	Personnel costs	1. Poultry Farm manager	230	0
		2. Gardener	250	0
4	Total Project costs		1,267	(4)

Note: The project balance is showing that it has over spent with P4. We arrive at this figure by subtracting from P34 which is not spent P38 that is an over expenditure.

6. Purchases for services and goods

- 6.1 All purchases for services and goods must not exceed the budget allocation in the project document.
- 6.2 For purchases of more than P500, the Support Group will be required to obtain a minimum of three quotations from where they can select the best supplier.
- 6.3 All payments being made to a supplier in excess of P500 shall follow the following guidelines
 - 6.3.1 The goods or services must be requested in writing. A sample letter for requesting supply of goods or services is given in **table 3 below**.

Table 3: *Purchase requisition letter:*

Karamoja Support Group P.O. Box 18, Maun, Botswana	11/12/2001
Dear Sir,	
<u>Ref: Purchase of Chicken Mesh Wire for Fencing</u>	
This letter is a follow up of our enquiry for the cost of Chicken Mesh Wire for fencing a Chicken Poultry farm. You have provided us with a quotation for one roll as P115. Based on the above quotation we wish to place an order for 3 roles, one metre wide and 20 metres length. Payment will be made by cheque on delivery.	
Thank you.	
Mr. Komane Muiso Chairperson	

7. Guidelines and Procedures for Managing the Funds

7.1 Banking

Depositing money into a bank account has two advantages for your Support Group. First, it provides adequate security and secondly it give you a reliable source of information of the funds you have received and spent based on bank statements or other record books issued by the banking institution. To ensure this:

- 7.1.1 Open a bank account with a commercial bank or Post Bank nearest to you.
- 7.1.2 Every time you bank money, ensure you get a banking slip for your records. File the slips in chronological order.
- 7.1.3 Make payments to your creditors by cheque only.
- 7.1.4 If it is a donor requirement, you can open separate accounts as needed, if not maintain one account, it is more cost effective.
- 7.1.5 If you have more than one account separate accounts books must be maintained.

- 7.1.6 Once you have deposited the cheque into your account and the funds are credited. You must enter the funds in the Accounts books column on Income that show where the money is coming from, the amount and the date received.
- 7.1.7 All transactions must be properly recorded.

Remember that to open a bank account, your Support Group must be registered with the government. If you are unable to register the Support Group seek assistance from BONEPWA.

7.2 Receipts

- 7.2.1 All money received in excess of P20 at one time must be deposited in a bank account within five days of receipt. Funds less than P20 will be expensive to bank given the bank charges. Such funds can be used as petty cash.
- 7.2.2 Issue a receipt all the time for any amount of money received. A receipt book can be purchased in the bookshop nearest to you. When writing the receipt, make sure that you show whether the money was received in cash or in form of a cheque.
- 7.2.3 Give the receipt to the person who made the payment. If you received the cheque through the post office, post a receipt to the donor if you know the mailing address. Record the postage cost as expenditure in your Accounts Book.
- 7.2.4 Enter the amounts of money received in your cashbook (see table 4 below) in the column titled “**income**” showing the date received, the donor’s name and the amount.

7.3 Managing petty cash

- 7.3.1 A petty cash float will be kept by the Treasurer
- 7.3.2 The amount of petty cash shall not exceed P500 at any one time.
- 7.3.3 Petty cash shall be used for emergency cases or payment of costs less than P500 only. This could include “teas” during the members general meetings.
- 7.3.4 Petty cash will be replenished based on the amount used and accounted for using receipts or other documentary evidence.
- 7.3.5 Requisition for replenishment must be approved by the Committee or jointly by the Chairperson and the Secretary where the committee is not able to meet on time.

7.4 Making payments

- 7.4.1 Payments shall be made for activities approved by the members only.
- 7.4.2 All payments made from the bank account shall be made by cheque.
- 7.4.3 All payments made through the petty cash, will be made in “cash” using a “Petty Cash Payment Voucher”.
- 7.4.4 In all cases, the payment receipt will be required for accounting purposes.

7.5 Bank reconciliation

- 7.5.1 A Bank, reconciliation will be made on a monthly basis by the Treasurer, to establish the bank balance. Bank reconciliation is based on balancing the expenditures shown in your Post bank book, the cheque book or petty cash receipts, against the balance stated in your bank statement.
- 7.5.2 A Petty Cash, reconciliation will be made based on petty cash receipts and the expenditures incurred.

7.6 Financial audits

- 7.6.1 Financial audit is a legal requirement for all non profit making and charitable organisations.
- 7.6.2 Financial audit shall be conducted by a qualified Accountant in your community or nearest to you once a year, or any other time the members or government may request for an audit.
- 7.6.3 If you cannot find a qualified accountant, seek help from BONEPWA.

8. Keeping Financial Records

Support Groups will maintain proper books of accounts. This is a legal requirement by the government and donors. The following section provides information on what basic records and books you can keep for your support group.

8.1 Books of Accounts

There are standard books of accounts that you can purchase from a stationary bookshop nearest to you. If you cannot find or afford one, you can use an exercise book for book keeping.

You require to keep two financial record books i.e. the (a) The Accounts Book, and (b) The Project Grants Record Book.

You can use an exercise book to develop your own books using the format shown table 1 above for the Project Grants Record Book and Table 4 below for the Accounts Book.

Table 4: *Accounts Books (cashbook)*

Date	Document Number	Details	Income	Expenditure	Balance
30.7.05	1	Membership fees	250	0	250
12.7.05	2	Office rent	0	100	150
25.10.05	3	Grant from Oakwood	500	0	650
25.12.05	4	Orphans Christmas part	0	400	250

All funds recorded in the Accounts Book should be in Pula. You should convert foreign currency to pula using the exchange rate that the bank used to change your grant money.

8.2 Bank statements

- 8.2.1 All bank statements must be filed in box or spring file in the order of dates received. The latest bank statement being on top.
- 8.2.2 If you have more than one account, bank statements must be filed separately for each account.
- 8.2.3 The files must be clearly marked with the name of the bank and the account number
- 8.2.4 On top of each bank statement indicate the date you received the statement.

8.3 Receipts and Petty Cash Vouchers etc.

- 8.3.1 All receipts, petty cash vouchers and any other documents obtained for purposes of accounting should be filed in chronological order of issue. The chronology refers to the “**document number**” similar to the one shown in table 4 above column.

9. Local travel and Allowances

When travel is involved and allowances has to be paid to a member of the support group to represent the organisation in particular event the following procedures should be followed.

- 9.1 Evidence must be produced in form of an invitation letter to such an event. Such letter should also indicate whether the Support Group representative is fully or partly funded or not.
- 9.2 It is only when the representative is not fully funded shall travel and other allowances be paid by the Support Group depending on the availability of general funds.
- 9.3 Equal opportunities should be given to all members to represent the Support Group, when appropriate opportunities arise.
- 9.4 The travel and other allowances will be determined by members bearing in mind the overall cost involved, the need for out of pocket expenses, and availability of funds.
- 9.5 The funds provided for travel, accommodation and meals should be treated as “Imprest” and hence should be accounted.
- 9.6 Funds provided for out of pocket expenses should not accounted for. The recipient should however sign a voucher confirming that he/she received the financial support.

10. Providing Financial Support to Members of the Support Group

- 10.1 Support Groups should attempt to create a separate “Welfare and solidarity Support fund” account.
- 10.2 Funds for such account are those referred to in article 2 (2.2) above and not project activity funds.
- 10.3 The funds will be used to support a member of the Support Group in times of need such as death, illness, etc.
- 10.4 The members will determine from time to time the limits for support for each member per year.
- 10.5 A separate sub account will be established for purposes of banking such.

11. Fixed Assets

- 11.1 The policy will be to treat as asset, any non expendable item with a value of P1000 or more, on non expendable items with a useful life of more than two or more years.
- 11.2 A Support Group will maintain a register of assets that will contain the information on when the item was purchased, full description of the item, and how much it costed. Where available a serial number of the item should be registered. The format below can be adopted for the Asset register.

Table 4: Assets Register

Date of purchase	Description	Reference code	Cost (pula)
3/9/2001	Computer desk	0H123Y-KP 05	1,000
31/4/2002	4 chairs	not available	650
12/5/2003	1 table	not available	600
21/8/2005	Tea kettle	not available	127

- 11.3 Depreciation of assets will be made annually in accordance with the current standards of accounting, or as recommended by the Auditor.
- 11.4 Disposal of fixed assets will be in accordance with the “Constitution” of the Support Group where such Support Group is legally registered.
- 11.5 Where a Support Group is not legally registered, the disposal of assets will be determined in accordance with existing laws of Botswana governing disposal of assets belonging to non profit making charitable organisations.
- 11.6 Once the disposal of asset has been effected, appropriate record entries shall be made in the appropriate accounting books and the in the Register of Assets.

12. Insurance Policy

- 12.1 The Support Group shall maintain an Insurance Policy for office equipment and related assets, such as buildings, and vehicles, where applicable against theft, fire, natural calamities, floods, and damage from rain and wind.

13. Amending the Guidelines

- 13.1 The Executive Committee will make recommendations for the amendments of these guidelines to a General Meeting of the members.
- 13.2 The members will decide with a 75% majority, on whether to amend the guidelines or not
- 13.3 The amendments will be done in accordance with the provisions of the constitution, in case of registered Support Groups, or in accordance with article 13.2 above.