



NPO & NGO's building good financial management practices

ERP for NPO & NGO Financial Management

Every registered nonprofit organisation is [obligated](#) in terms of section 17 of the Nonprofit Organisations Act, 71 of 1997, to maintain its financial transaction records accordingly to the standards of generally acceptable accounting practices.

Governing body members are obligated to ensure that the organisation keeps proper books, records and that annual accounts are prepared as financial statements to be submitted to the Directorate of Nonprofit Organisations, nine months after the financial year ends of the organisation.

This checklist enlists basic elements for an organisation to work towards building good management practices. Financial management in organisations involves the management and recording of the flow of money. This includes all money coming into the organisation (income) and all money flowing out (expenditure).

Proper financial systems are necessary feature of any well managed organisation-whether for profit or non profit in nature. Good financial management practices for nonprofit organisations is especially important as they play an essential part in helping to instil confidence in potential donors and beneficiaries that the organisations' assets are secure and that they are managed in an efficient manner. Effective financial management control gives a sense of confidence in the entire nonprofit sector and increase attraction of the sector to potential donors.

While the vast majority of people are honest, organisation still need to take steps to avoid putting people in situations where they might be tempted to defraud the organisation. The lack of proper guidelines may cause harm to the reputation of the organisation. Proper financial management ensures the protection of interest of the organisation's beneficiaries, its employees and governing body members themselves.

This checklist is not intended to set-out an exhaustive listing on how best to build good financial management practices within nonprofit organisations. Organisations should still always seek professional advice as much as possible from registered professional financial service providers when dealing with organisational financial matters.

The checklist articulates basic elements on good financial management that an organisation can use to develop its own internal financial control mechanism. The checklist is specifically aimed at medium to small nonprofit organisations especially community based organisations. These basic guidelines, however, can also form a framework for larger organisations to consider when developing financial control systems.

These specific elements on good financial management follow hereafter.

Checklist:

- ✓ General finance
- ✓ Banking
- ✓ Receipts
- ✓ Expenditure
- ✓ Petty cash
- ✓ Assets
- ✓ Monthly checks

Our clients:



making business **better**

www.immix.co.za | sales@immix.co.za | 011 602 0700

WE ARE **IMPERIAL**

resolve
immix



Checklist: Elements for good financial management within NPO's

ERP for NPO & NGO Financial Management

General Finance

- ✓ Check that actually tasks of approving and managing the finances are shared, so that no one single person can control all aspects of financial management process.
- ✓ Check that your financial policies require more than one single employee or governing board member to be able request, approve, make payments and withdraw money from the bank.
- ✓ Check that bank reconciliations are done by someone who does not sign the cheques, have access to cash nor records cash transactions.
- ✓ Check that the financial records are reviewed regularly by people other than the person who is responsible for maintaining the records.
- ✓ Check that your governing board receives regular, preferable a monthly, financial report and a list of all cheques drawn by your organisation.
- ✓ Check that salary records are kept (locked in a filled cabinet) for all staff, detailing attendance and leave entitlements.
- ✓ Check that you have an annually audit.

Managing Banking

- ✓ Check that signatories take their responsibilities seriously. Remember, signatories are responsible for any cheques they sign.
- ✓ Check that signatories never sign blank cheques. Cheques should only be signed once they have been written out in full.
- ✓ Check that your cheque book is not left lying around. It should always be kept locked in a safe place.
- ✓ Check that you never issue uncrossed cheques, unless it is a cash cheque. Always cross cheque payments 'Not Transferable'.
- ✓ Check that you never withdraw money from your savings account. Always transfer money from the savings account into the cheque account.
- ✓ Check that you always bank any money promptly, such as money generated from donations, sales or fees.
- ✓ Check that monthly bank reconciliations are undertaken and any discrepancies (differences either over or under) are immediately investigated.
- ✓ Check that you never cash personal cheques from petty cash.



Managing Receipts

- ✓ Check that you always issue serially numbered receipts (with the name of your organisation) for all cash received.
- ✓ Check that you keep all cancelled receipts. These are still a part of your financial records.
- ✓ Check that receipts books are kept in a safe and locked place.
- ✓ Check that you keep a written record of any donations or pledges to the organisations.



Checklist **continued**

ERP for NPO Financial Management

Managing Expenditure

- ✓ Check that all expenditure is approved in writing by the person nominated by your governing board.
- ✓ Check that you use a purchase order for all purchases.
- ✓ Check that you always obtain quotes before you purchase equipment and other services and file them with the purchase order.
- ✓ Check that once the purchase has been approved that competitive quotes are obtained before the item is purchased. Many organisations have a policy that if a purchase is over R3,000, three quotes should be obtained first.
- ✓ Check that when you receive goods or services that they are in working order. Check that the quality of the goods or services you have received are the same as those you ordered.
- ✓ Check that you fill in the guarantee and post it to the manufacturer.
- ✓ Check that you receive an invoice for your purchases and that you file this along with all the other documentation relating to the purchasing.
- ✓ Check that your budget against expenditure to ensure that you can afford the purchase.
- ✓ Check that the funds are available before you make the purchase and that the necessary person/people approved the expenditure.

Managing Petty Cash

- ✓ Check that when payments are made with cash, petty cash vouchers and receipts are submitted.

Managing Assets

- ✓ Check that you have established an assets register and that you regularly maintain it.
- ✓ Check that all equipment and other items listed on the assets register has an identification mark or number. This can be a sticky label which is attached.
- ✓ Check that you protect against loss and theft of equipment. Take out the necessary insurance.
- ✓ Check that you use log books for motor vehicles.
- ✓ Check that you follow-up on any advances you may have given and get them reimbursed as quickly as possible. For example, if you give an advance for travel to a workshop, ensure that once the person returns they reconcile the advance.
- ✓ Check that you are receiving money by the due date. Follow up on overdue amounts.
- ✓ Check that your financial reporting deadlines are adhered to according to your contracts.
- ✓ Check that your grant payments are received timeously, as contained in your funding contract.

Managing The Monthly Financial Check

- ✓ Every month your bookkeeper and treasurer (or two other people nominated by your organisation) should review the operations of the previous month. Specifically, they should:
 - ✓ Check what cheques were made out for cash and what they were for?
 - ✓ Check all payments, if there were any 'odd' or unusual payments, which items are running over or under budget and ask and why, as well as check the wages book and all other payments.
 - ✓ Check which funds were received and whether they were deposited, as well as any other money received (such as donations, sales, membership fees) and ensure it was deposited.
 - ✓ Check the bank reconciliations.