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| **FINANCIAL MANAGEMENT** |

**Session 1:** **Bank Account**

**Objective**

* To understand the regulations of banking through a formal financial structure and the corresponding procedures which the CLC must follow.

**Expected Outcome**

* The CLCMC will learn about initiating bank transactions and what corresponding procedures need to be included in the CLC’s by laws.

**Expected Output**

* The CLC will have an active bank account (transfers in/out)
* The bank statements will be kept up-to-date and properly filed
* The CLC will require a stamp for financial transactions

**Outputs expected by second GOCA assessment**

* The CLC must have an active bank account (transfers in/out)
* The bank statements must be kept up-to-date and properly filed

**Outputs will be verified on: (Date)**

**Notes to the Facilitator**

Financial transactions are essential for the smooth running of the CLC. Bank accounts must reflect the funds mobilized for the purpose of membership status, program implementation, and savings. The CLC is always involved in some kind of financial transaction. To prevent loss through unscrupulous people, or just by human mistakes, it is desirable to have most of the transactions done through banks. This requires timely depositing of the funds received and making payments through a cheque book, not using cash.

**Methodology**

Discussion and analysis

**Time**

1 hour

**Materials Required**

Slide, makers, flipchart

**Activity Steps**

1. ***Ask the CLCMC to discuss if all these steps are necessary to operate the CLC’s accounts through a bank. Use the following questions:***

* Why does the bank need to have so much information about the CLC’s internal affairs and bylaws?
* Why are so many people’s name needed on an account?
* Why are certain documents, such as photographs, required?

1. ***Highlight the need for opening a bank account to legitimize all financial transactions for the smooth and transparent running of the CLC.***

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1. ***Explain to the CLCMCs on the process of Opening a new bank account for DEVELOPMENT PARTNER Financial Guideline***

☞All bank accounts will be opened under the name of CLC. The CLCMCs have to open a bank account by themselves. They must go to the bank with 2 or 3 people (CLCMC) to open an account with the signatories being the treasurer and the two other signatories. When we are going to open account, the bank will list us all documents they need. Example: all ID cards who will owner this account and some documents related to CLC.

The CLCMC will provide IMPLEMENTING PARTNER with the exact details of the bank and bank account including:

* Bank name;
* Address, phone No, etc;
* Account name[[1]](#footnote-1);
* Account number;
* Currency of the account (USD);

This information is sometimes available on a "Bank Statement"

When opening a new bank account, remember that banking transaction fees and exchange rates are negotiable.

1. ***Explain to the CLCMCs more about the Designation and responsibilities of the signatories***

☞Bank accounts should have at least three [signatories](#_Signatories_1), including the treasurer, permanent secretary and the director: This designation of signatories accurately reflects the ToRs of the CLCMC.

1. ***Explain to the CLCMC how and when to use cheques***

All expenses over 250 USD should be paid by cheques. In some exceptional situation where the payee cannot cash the cheque, the accountant may pay by cash.

The cheque should be done in the name of the receiver. Any cheque must be signed by 2 signatories. Some banks also require the cheque or document to bear the stamp of the CLC. A photocopy of the cheque will be kept with a copy of the ID card of the receiver, attached to the invoice and/or contract in the monthly accountancy file.

The stub should bear the date, the receiver and the amount in dollar. The cheque must have any errors or corrections. If a mistake is made, the cheque should be voided and a new cheque prepared. To void a cheque, write "cancelled" over it in between 2 parallel bars and on the stub.

The cancelled cheque must be kept in the cheque book.

Cheques made for cash withdrawal should be made in the name of the withdrawer (Treasurer).

Used cheque books must be kept in a safe for audit.

1. ***Clarify to the CLCMC about*** ***Bank transfer***

Bank transfer documents should be signed by the 2 signatories and stamped.

***Explain to the CLCMCs about Bank reconciliation***

Bank accounts shall be reconciled by the end of each month. Bank reconciliation statements are checked by the treasurer and the director.

☞ Any [outstanding cheques](#_Outstanding_cheques) must be notified in the bank reconciliation statement.

**Session 2: Cash Management**

**Objective**

* To identify the processing of the cash management within CLC.

**Expected Outcomes**

* The CLCMC will maintain cash management in the proper way defined herein
* The CLCMC will understand the function and importance of the cash management.

**Expected Outputs:**

* The CLC will acquire a lockable **cash box or safe** where they will keep CLC cash
* The CLC will create and/or acquire all the following **cash management documents**
  + **Cheque book**
  + **Stock book**
  + **Petty Cash book**
  + **Bank pass book**

**Outputs expected by second GOCA assessment**

* The CLC will have acquired a lockable **cash box or safe** where they will keep CLC cash
* The CLC could create all **cash management documents**
  + **Cheque book**
  + **Stock book**
  + **Petty Cash**
  + **Bank pass book**

**Outputs will be verified on: (Date)**

**Notes to the Facilitator**

Without proper cash management training it is almost impossible to keep track of and maintain the cash accounts of CLC. The cash accounts must reflect the funds mobilized for the purpose of implementing activities, and savings. There should be systematic and orderly accounting of funds spent on the implementation of the various activities planned by the CLC in accordance with the agreed budget. The systematic maintenance of the accounts will facilitate the growth of the CLC. The CLC must be clear that the ToR of the Vice Director requires him/her to assume the role of Treasurer, and as such will be wholly responsible for the financial matters of the CLC.

**Methodology**

Demonstration, brainstorming, examples and discussion

**Time**

1 hour and 30 minutes

**Materials Required**

Approximately 20 numbered sheets of paper and examples of various cash management

**Activity Steps**

1. ***Explain to CLCMC that all CLCMC members must know about the essential of the cash management to be maintained in the CLC.***

These documents are crucial for the transparency of the CLC in relating to its members and its donors. It is the responsibility of the CLCMC to ensure that all the documents pertaining to the financial accounts are up-to-date and orderly. Generally this task is entrusted to the permanent secretary of the CLC, who works closely with the treasurer.

1. ***Explain to the CLCMCs; what is a Petty cash safe?***

Petty cash must be kept in a safe in a secured room. The safe can be opened with a key.

For each safe, there should be 2 set of keys. One set is kept by the treasurer in charge of the petty cash safe. The other is kept as a backup key in a sealed envelope, by the permanent secretary. It may be used only in an emergency case by the treasurer with the presence of the CLC Director.

1. ***More explain to the CLCMCs on the content of the Petty Cash Box***

The content of the petty cash box cannot exceed 100SD. In exceptional circumstances requiring an important number of cash transactions in the same day, the treasurer can allow that the amount contained in the safe exceeds 250 USD. The period during which the amount kept in the safe exceeds 250 USD should be as short as possible.

The cash balance for all safes and cash boxes should be checked at the end of the week by the treasurer. The CLC should keep these in files of the hard copy.

At the end of each month, the treasurer will count the petty cash in the safe and fill out and sign the cash count sheet. The cash will be recounted by CLCMC Director.

1. ***Clarify the types of documents by providing an example of each and giving an explanation about its use and importance to the CLC.***

* ***Cheque book***- Keep track of the money withdrawn and the details of the person to whom it was issued.
* ***Petty Cash-*** the CLC have a number of recurring expenses that need to be paid right away, for example, to buy a cleaning stick or sanitizers***.***
* ***Bank pass book***- Keep track of the funds available and/or used from the CLC’s account.
* ***Stock book-*** for recording information all materials in and out from the CLC

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1. **Divide the CLCMC in two groups to have a discussion: Why it is important to write down your income and expenditure in a cash book?**

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1. **Explain the following tip for cash control to CLCMC**

* Write all money that comes in and goes out immediately in your cash book
* Count your cash when the day begins and again when the day ends
* Write all your expense in your cash book “ money out”
* Write in the cash book only the items that are paid for in cash.
* Calculate the balance every day, every week and every month

1. **Explain to the CLCMCs about the Cash transfer between bank, safe and petty cash box**

To transfer money from the bank to the petty cash safe, the withdrawal may be done by cheque in the name of the person who makes the transfer (usually the treasurer or the CLC Director). Bank withdrawals can be made up to 250 USD unless the donor requires smaller amounts.

1. **Explain the CLCMCs more about the Internal control**

When checking the accountancy, a random selection of invoices will be done. The CLC Director will be required to check the prices with the supplier and write a quick report on his/her findings.

In addition they may check cash on hand in the petty cash safe at any time.

**Session 3:**  **Treasurer**

**Objective**

* To understand the roles of the committee members and treasurer in order to ensure transparency in balancing the budget within the CLC.

**Expected Outcome**

* The CLCMC will understand the importance of the role of Treasurer who has to balance the budget in order to plan and sustain the CLC’s activities.
* The CLCMC will understand the role of the committee members and treasurer in budget planning.

**Notes to the Facilitator**

The CLC must have a Treasurer who will be wholly responsible for the financial matters of the CLC. A suitable person should be selected who has some experience in accounting or the ability to learn the procedures.

* ***Treasurer***

1. Takes care of all expenditures of the organization’s funds on the consent of the President and Secretary and ensuring the vouchers for all kinds of expenditure
2. Handling all financial transactions, incl. petty cash and maintaining the organization’s bank account
3. Maintains proper accounts for all income and expenditure
4. Keeps all receipts invoices and bills

**Methodology**

Brainstorming, examples and discussion

**Time**

30 min

**Materials Required**

Slide, Makers, Flipcharts, Handout, Treasurer’s ToR

**Activity Steps**

1. ***Remind the participants that usually the CLCMC roles and responsibilities define the Treasurer as being wholly responsible for the financial matters of the CLC.***
2. ***Ask the CLCMC to define the role of Treasurer:***

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1. ***Ask the CLCMC why the Treasurer is important to CLC?***

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1. ***Ask the CLCMC why treasurer must have the ability to explain his/her duties and responsibilities?***

**Session 4: Budgeting**

**Objective**

* To understand what a budget is and why it is important to budget within CLC

**Expected Outcome**

* After this session, the CLCMC will be able to draw a budget for a project within CLC

**Expected Outputs:**

* The CLC will have **Annual Activity Plan** (AOP) which will help them to develop the budget.
* **Record** that the CLCMC reviewed and approved the budget as aligning with the strategic plan
* **Record** of regular meetings to review budget status

**Outputs will be verified on (Date)**

**Notes to the Facilitator**

Budgeting plays a key role in any organization or project. If a project spends money without having a set budget, money will start controlling the project. On the other hand, if a project has a budget, the money will be controlled as everybody knows how much has been spent, and how much is still to be spent, when and where. Can a major corporation or Government run their operations without a proper budget? No! Budget is the financial guide that tells them whether they are heading in the right direction and whether they will be able to achieve their set goals with the current financial strategies. This holds true for a grassroots organization, as well. The CLC has certain financial goals to achieve and, they need to follow certain guidelines in order to ensure success. Budgeting sets up those guidelines for the CLC. It also helps to measure progress from time to time and implement some productive changes accordingly if needed.

**Methodology**

Group work/discussion and lecture

**Time:**

1 hour

**Materials Required**

Slide, Flipchart, marker and handout

**Activity Steps**

1. ***Ask the CLCMC the following questions at the beginning of the lesson and use the following information to complement the discussion:***

* ***What is a budget?***

☞A budget is a document that translates plans into money - money that will need to be spent to get your planned activities done (expenditure) and money that will need to be generated to cover the costs of getting the work done (income). It is an estimate, or informed guess, about what you will need in monetary terms to do your work. A budget can take many different forms.

1. ***Ask to the CLCMCs Why do we need to do budgeting?***
2. The budget tells you how much money you need to carry out your activities.
3. The budget forces you to be rigorous in thinking through the implications of your activity planning. There are times when the realities of the budgeting process force you to rethink your action plans.
4. Use properly, the budget tells you when you will need certain amount of money to carry out your activities.
5. The budget enables you to monitor your income and expenditure and identify any problem.
6. The budget is a basis for financial accountability and transparency. When everyone can see how much should have been spent and received, they can ask questions about discrepancies.
7. You cannot raise money unless you have a budget. Donors use the budget as a basis for deciding whether what you are asking for is reasonable and well-planned.
8. ***Ask to the CLCMC; who should get involved in budgeting?***
9. The Director
10. The Treasurer
11. ***Explain to them that for a CLC, all CLCMC members must be responsible to be involved in budgeting.***
12. ***Introduce the budget template below to the CLCMCs.***

***Handout: Budget Template***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Unit** | **Unit Costs** | **Number of Units** | **Total** |
| ***1. Human Resources (salaries, benefits)*** | | | | |
|  |  |  |  |  |
|  |  |  |  |  |
| ***Subtotal*** | | | |  |
| ***2. Travel*** | | | | |
|  |  |  |  |  |
|  |  |  |  |  |
| ***Subtotal*** | | | |  |
| ***3. Equipment and Supplies*** | | | | |
|  |  |  |  |  |
|  |  |  |  |  |
| ***Subtotal*** | | | |  |
| ***4. Program Costs*** | | | | |
|  |  |  |  |  |
|  |  |  |  |  |
| ***Subtotal*** | | | |  |
| ***5. Other Costs (Office rent, utilities, vehicle running costs, communication, etc.)*** | | | | |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| ***Subtotal*** | | | |  |
| **Total Project Costs** | | | |  |

***Handout: Balancing a Budget - Annual Income Expenditure List (budget from DNFE, and CIP)***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No.** | **Particulars** | **Amount/Income** | **Amount/Expenditure** | **Total Amount** |
| 1 |  |  |  |  |
| 2 |  |  |  |  |
| 3 |  |  |  |  |
| 4 |  |  |  |  |
| 5 |  |  |  |  |
| 6 |  |  |  |  |
| 7 |  |  |  |  |
| 8 |  |  |  |  |
| 9 |  |  |  |  |
| 10 |  |  |  |  |

1. **Explain to the CLCMCs on how to create a budget**

Budgeting consists in determining the total cost of a program to achieve objectives relative to identified needs. There are three stages:

**STAGE 1: Estimation of resources and quantities**

Working with the activity management team to identify the following information:

* The objective of the project
* The different activities
* The duration of the project or [grant](#_GLOSSARY_OF_TERMS)
* Activity workplan (When each activity should be implemented during the length of the project?)
* Budget limits (What are the minimum and the maximum of the total budget allowed by the donor?)
* Allocation conditions (Is there a limit of share for certain types of costs? (For example: Human Resource cannot exceed 20% of total budget.)
* Eligibility of costs (Are certain types of expenses not eligible?)

For each activity, make a list of needs.

**STAGE 2: Budget repartition**

The budget should be detailed enough to be understandable, but gathering different expenses under one budget line will also allow more flexibility for later changing the allocation of budget between these different expenses

**STAGE 3: Estimation of costs**

Determine the costs of the various "items" of expenditures. The final budget should only show amount per line and per quarter, but some detail sheet can be created to show breakdown of cost per category.

**Give them some Tips for estimation of costs per item**

|  |  |
| --- | --- |
| HUMAN RESOURCES | |
|  |  |
| Staff (Teachers/CLCMC) | Gross salary |
|  |  |
| ACTIVITIES | |
| Training | Per diem, rental of room, transport, snacks and drinks, training material, stationary |
| Monitoring and Evaluation | Per diem, transport, stationary |
|  |  |
| PROCUREMENT | |
| Equipment | All items that use power (electricity or batteries). Must correspond to a detailed procurement plan. |
| Furniture | Must correspond to a detail procurement plan |
| GENERAL OPERATING COSTS | |
| Office rental | Rental per month |
| Utilities | Electricity, water, fuel for generator, gas for kitchen cooker |
| Communication costs | Internet, phone, phone cards for staff |
| Security | Guards |
| Others | Lump sum for unpredictable costs (bank fees, translation, visa, membership fees, farewell party, lunch allowance, magazine subscriptions, parking fee, etc.) |

***☞The template is just an example, so we could divide them into group to discuss on the CLC estimate cost per item***

1. ***Ask to the CLCMCs what is*** ***accounting?***

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1. ***Explain to the CLCMCs about Accounting***

The accounting system used in Cambodia is EXCEL software

***12. Show and explain to the CLCMC about the voucher with that clear information. Facilitator will show the CLCMCs the attached sample voucher model***

***☞Then explain to the CLCMCs on by one step;***

**1-Complete the voucher**

All columns and boxes need to be filled in, without deletions. Amounts should all be expressed in the same currency (voucher's voucher and invoice).

This information is fundamental to a good understanding of the invoices. Information in the voucher should be exactly the same as information recorded in EXCEL.

Wording: Write as much relevant information as possible.

Attach the invoice:

All invoices must include:

* Company letterhead (supplier’s name and telephone number)
* CLC Name
* Nature of the purchase
* Date
* Place
* Unit price
* Quantity
* Total price
* Currency
* The date on which the invoice was paid
* Signature of the seller/supplier

In cases where it is not possible to obtain an invoice containing all of this information, the buyer should issue a receipt (preferably from a numbered receipt book), which should include:

* Seller/supplier’s full name
* Date
* Place
* Nature of the purchase
* Details of the purchase, detailing:
* Description, (Unit price \* quantity) = Total
* Currency used
* Signature of the seller/supplier

☞***Staple or glue the invoice or receipt to the voucher.***

**2. Adjustment of mistakes**

When adjustment is necessary to correct the previous month’s mistake on allocation of expenses or amount, a special voucher for adjustment must be used, clearly explaining the situation in the description. For correction of repartition, the adjustment voucher must be done in 2 copies: one for the additional income and the other for the deduction of the same amount.

Expenses paid by cheque.

For all expenses paid by cheque, a copy of the cheque should be attached to the voucher, as well as a copy of the ID card of the supplier.

1. **Exchange rate**

All expenses can be paid in KHR or in USD depending on the currency used by the seller. The exchange rate used shall be the rate which was used previously at the bank when exchanging USD to KHR (based on the receipt issued by the bank).

1. **Advances**

CLC staff can receive advances for paying per diem and other small expenses. CLC staff cannot receive advance for personal use.

Advance requests below 50 USD must be approved by the Treasurer and signed by the staff member who received the amount.

Advance requests over 50 USD must be approved by the CLC Director and signed by the staff member who received the amount.

Advances must be reimbursed in cash or cancelled within1 week of receiving receipts of payment.

**Session 6: Financial Reporting**

**Objective**

* To enhance the CLCMC’s knowledge about financial reporting.

**Expected Outcomes**

* The participants will gain an understanding on the concept of financial report and the different aspects involved in financial reporting.
* The participants will realize the major functions in managing the finances such as accounting, budget preparations, internal controls, cash flows and budget deviation analysis along with financial reporting.

**Expected Output:**

* They can demonstrate regular **financial reports** of its operations/ activities
* Review and **approval** of these reports by the CLCMC
* **Record** of timely dissemination of these reports to relevant stakeholders (government, donors)

**Outputs will be verified on (Date)**

**Notes to the Facilitator**

**A financial report** is an informational document about the financial health of a company or organization, which includes a balance sheet, an income statement and a statement of cash flows. Financial reports are often reviewed and analyzed by business managers, boards of directors, investors, financial analysts and government agencies. Reports must be prepared and disseminated in a timely manner, and they must be accurate and clear. Although creating a financial report may seem daunting, the accounting required is not all that difficult.

**Methodology**

Lecture, brainstorming

**Time**

3 hour

**Materials Required**

Slide, Flipchart, Makers, Sample Financial Report Model

**Activity Steps**

***1. Ask if anyone within the CLCMC has ever written a financial report?***

***…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….***

***2. What are the challenges to writing a financial report?***

***…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….***

***3. Explain the process of writing the financial report. Facilitator will show the CLCMCs the attached file of Sample Financial Report model***

***4. Group discussion. Divide CLCMC into group on how to write a good financial report for a CLC***

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**5. Facilitator conclusion the financial reporting:**

The CLCMC requires regular financial reports on a quarterly basis. The Treasurer should present the financial information to the CLCMC. The finance committee, led by the treasurer, ensures that financial reports are complete and helps present them to other members of the board. The CLCMC may require a statement of activities at each meeting. They also may request descriptions of finances for each program or of affordability for upcoming, major initiatives.

1. [↑](#footnote-ref-1)