



water & forestry

Department:
Water Affairs & Forestry
REPUBLIC OF SOUTH AFRICA

Financial Management of Projects

2005

RAMBOLL

Funded by Danida

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List of Abbreviations

CBO	Community Based Organisation
Danida	Danish International Development Assistance
DWAF	Department of Water Affairs and Forestry
NGO	Non-Governmental Organisation
PFM	Participatory Forest Management
ZAR	South African Rand (currency)





1. Introduction

The Department of Water Affairs and Forestry (DWAF) have adopted Participatory Forest Management (PFM) as a general approach to all its activities. PFM seeks to ensure that there is a shared responsibility of forest management between key stakeholders and the state, and that there is a sustainable flow of benefits to key stakeholders. DWAF thus strives to consider local people's forest-based needs, their role in sustainable forest management and their involvement in decision-making processes.

An important aspect of projects/business ventures is the accurate accounting of all income and expenses. Finding financial support will usually not be possible without a proven record of proper financial management experience. A business or project without sound financial management is bound to experience problems that could be damaging to the operation. This Guideline describes simple financial management procedures for forest projects/community operated forestry businesses where limited capacity might prevail in the implementing organisation.

This Guideline is part of the PFM Guidelines developed during the DWAF/Danida PFM Project (2001-2005). The PFM Guidelines aim to empower DWAF staff, the new custodians of state forests and partners at local level to implement the new DWAF Forestry Vision. The PFM Guidelines are thus meant to support community upliftment in accordance with the DWAF Criteria, Indicators and Standards for Sustainable Forest Management.



2. About this Guideline

2.1 Aim and Objectives

This Guideline aims, in a simple and practical way, to equip local groupings working with forest projects with knowledge and understanding of financial transactions for the sake of good project management.

In the Guideline the reasons for proper financial management and banking are made clear with numerous examples of how to record payments and receipts. The financial procedures demonstrated may need to be adapted to make them more suitable to your specific project.

The objectives of this Guideline are to:

- Provide the principles of financial management and the basic financial systems to support forest projects/business ventures;
- Explain budgets and how to manage expenditure;
- Provide an understanding of financial controls and requirements for procurement;
- Provide a simple accounting system;
- Explain how to record financial transactions, balance monthly accounts and prepare financial statements.

2.2 Who is this Guideline for?

The primary target groups of this Guideline are PFM Forum/Committee members, CBOs, NGOs, local groupings and any other organisations that are establishing forestry projects and programmes for communities, and require assistance on financial management.

Forest managers who are facilitating the implementation of community forest enterprises and projects will also benefit and be able to share the information with local groupings.

2.3 How to Use this Guideline

Chapter 3 describes the different aspects of financial management and why it is important in project management. It outlines planning for sound financial management and discusses the financial procedures and a budget.

Chapter 4 details the development of a simple accounting system.

Annex 1 gives an example of a Financial Policy.

Annex 2 gives an example of an Annual Budget for a nursery.

Annex 3 - 8 give examples of various documents needed for financial management.

Annex 9 provides a glossary, which explains words and terms used in the text.

Annex 10 presents a list of references used in the text as well as other useful documents, guidelines and websites.

Annex 11 gives an overview of the PFM Guidelines produced by DWAF.

Sections of the Guideline can be easily copied for discussions, presentations and other training and development purposes. Establishing a financial management system often requires technical assistance from an experienced facilitator or trainer, and this Guideline can serve as a basis for such training.



3. Aspects of Financial Management

Proper financial management is essential for businesses or projects to function effectively, efficiently and sustainably.

Important Aspects of Financial Management

- In the day-to-day management of finances, many systems of financial control and recording can be implemented. It is thus essential to use a system that can accurately account for all income and expenses of your particular project.
- In order to apply for funding for a forest project - be it a grant, loan or joint venture agreement¹ - the ability to manage the project's financial affairs in a transparent and professional way will need to be demonstrated.
- Sound financial management is important in preventing disputes either between stakeholders or with the fund donor/loan agent. A structured and efficient set of rules on financial management and transparent reporting helps to ensure that conflict over financial decisions becomes institutionalised and well managed.
- Registration for payment of tax is required for any business. This will not be detailed here, but the local Receiver of Revenue office will provide advice and guidance on the registration procedure as well as any tax benefits that may be available.
- Planning for sound financial management before a project is implemented, is essential. This should form part of the project preparation².
- Financial management should keep all stakeholders informed and satisfied with the project's functioning.

¹ Refer to DWAF/Danida PFM Guideline: Fund Raising for Projects (2005)

² Refer to DWAF/Danida PFM Guideline: Logical Framework Approach Project Planning (2005).

In a project or a business a **treasurer** usually deals with all financial issues. However, in a larger business venture, a financial officer may be appointed to assist the treasurer, and/or an accountant may be employed to develop and implement the accounting system and assist with recording income and expenditure. The treasurer is accountable to the chairperson or Board of the organisation responsible for a project.

Roles of the Treasurer

- Receive money and write receipts and invoices;
- Bank money;
- Authorise all cheque payments;
- Write and keep cheques;
- Record payments and receipts;
- Control petty cash and associated records;
- Finalise draft annual budget;
- Prepare the annual financial statement;
- Prepare funding proposals;
- Check all financial records;
- Control stock items such as stationery and office equipment;
- Seek approval from the Committee/Board for changes to the budget/financial policy;
- Ensure that the finances are audited on an annual basis;
- Report to stakeholders in appropriate language, format etc.

The person(s) who ultimately signs and takes responsibility for the project funds can yield great influence on the project or business. It is thus most important that the process of establishing a financial policy is participatory and transparent.

3.1 Financial Policy

A Financial Policy is a financial management tool, which sets out the procedures to be implemented within an organisation or between organisations for dealing with money.

This financial policy should be put in place during the development of a project or business venture and should be compiled in a participatory manner so as to ensure buy-in and understanding of the document.

Often one of the biggest problems during the implementation of projects is the enforcing of rules and procedures. At the initial stages of a project there is generally agreement on these issues but during project implementation, people often do not follow the rules and procedures. It is thus important to detail these in the financial policy, as well as consequences of non-compliance. These should be clearly defined in the financial policy.

Financial Policy

A financial policy prevents conflict by defining the rules of how decisions and procedures involving money are governed. Such rules are helpful in areas where potential dispute exist, especially where there are several different stakeholders, all with differing opinions and expectations.

Key Elements of a Financial Policy

- Procedures and rules for handling money;
- Clear responsibilities of the various individuals involved in the financial management and assigned specific jobs/positions - e.g. the treasurer, the chairperson, the financial officer;
- Compliance issues such as procedures, communication and reporting lines, and how non-compliance should be dealt with;
- An understanding by all participants of the financial procedures, roles and reporting lines as well as the role of the forest manager with regard to the financial issues of the project.

Annex 1 provides an example of a Financial Policy.

3.2 Budgeting

The budget is essentially a plan of expected expenditure and income activities. A budget is usually prepared for the period of a year, but this will vary with shorter-term projects. Budgeting requires careful and realistic planning and should be drawn up during the planning and development of a project³. It describes what the project wants to achieve, including detailed activities and the financial inputs required to achieve specific outputs. Budgeting is a useful financial planning tool and can be used to prioritise what activities will be funded, especially if there are more activities than funds available.

The budget serves as a control of spending during the year by comparing the actual performance with the budget.

When preparing a budget, the sources of income and areas of expenditure need to be identified. These are detailed below.

³ Refer to DWAF/Danida PFM Guideline: Logical Framework Approach Project Planning (2005)

3.2.1 Estimating Sources of Income

Sources of income may include:

- Funds/resources made available by stakeholders;
- State grants;
- Other donor grants;
- Expected fund raising income⁴;
- Sales/dividends from business operations;
- Any other income, such as loans.

For determining sources of income, it is necessary to:

- Calculate how much funding is required by determining all estimated expenses (dealt with below);
- Identify expected income from all business activities, including items sold, services rendered, share dividends, renting out of premises as well as other sources;
- Identify sources of capital such as grants and loans.

3.2.2 Estimating Expenditure

- Expenditure is calculated systematically, based on estimated amounts required for each specific activity in the project or business.
- Business expenditure may include renting of premises, salaries, transport costs, marketing costs, operational materials, auditing fees, insurance premiums and loan repayments.
- Be thorough when estimating expenses - provision should also be made for unforeseen costs.

The layout of expenditure as shown in Table 1 below, provides an example of general office costs. Each line item is a category consisting of related expenses with its own budget. It is also labelled 'Budget Line' in the monthly cash journal.⁵

⁴ Refer to DWAF/Danida PFM Guideline: Fund Raising for Projects (2005)

⁵ See sections 4.4 and 4.5.

Table 1: Example of Estimated Expenditure

ACTIVITY	LINE ITEMS	BASIS OF COSTS	COST OF EACH ITEM	TOTAL COST
Running business office	Telephone	Monthly estimate based on usage	R... per month	R...
	Email	Monthly fixed fee	R... per month	R...
	Stationary	Monthly estimate based on usage	R... per month	R...
	Salary for project administrator	Monthly salary	R... per month	R...
Total Expenses				R...

Calculating expected income and expenditure can be complex for certain businesses, especially if the market is not yet established. As a result, entrepreneurs, project managers or companies often employ a financial consultant to assist with such matters. As an example, income for a tourist lodge can vary considerably, depending on the occupancy rate. In such cases, *income* can be calculated according to different occupancy rates, ranging between 0% and 100%. Similarly, when *expenditure* is calculated according to occupancy rates and subtracted from the total income, the percent occupancy that the lodge needs to operate in order to break even or make a profit can be calculated.

Once the expected income and expenditure have been estimated, the next step is to draw up the overall budget for the year. Annex 2 illustrates the format of the budget for an indigenous nursery.

Annex 7 illustrates a simple budget.

3.2.3 Cash Flow Forecasts

Another way of planning the income and expenditure to ensure that there is always "money in the bank" is through ***Cash Flow Forecasts***.

These are different to budgets in that they are more short-term planning and are used for:

- Determining that the project does not run short of cash (e.g. initial equipment expenses before income is generated);
- Determining when the project will make extra cash and ensure that it is efficiently used.



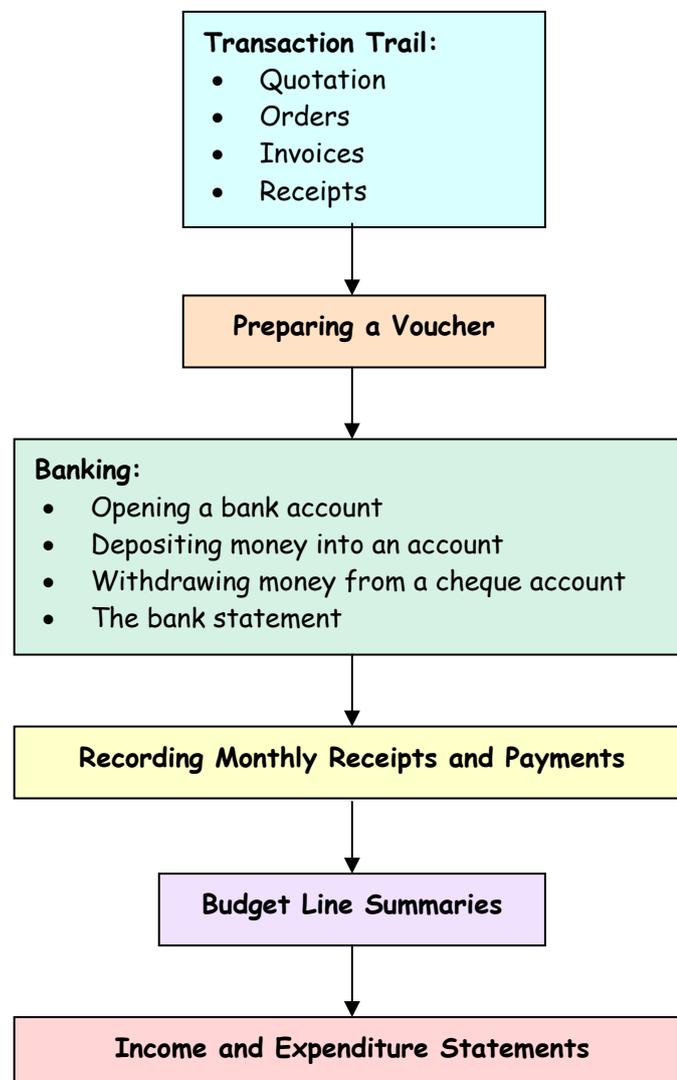


4. Developing an Accounting System

During implementation of a project or running of a business, it is essential to have an effective accounting system to accurately keep control of all income and expenses.

Figure 1 depicts a simple accounting system. Each phase of the system is detailed in the rest of the chapter.

Figure 1: A Simple Accounting System



4.1 Transaction Trail

Keeping proper records, according to date, of all documents used when making a purchase is essential for sound financial management. No matter how small the payment is, it should be recorded so that the financial statements will balance.

Table 2 presents the process and source documents that are usually used when a product or service is ordered or purchased by the project/business, or from the project/business. These documents are explained in more detail below.

Table 2: Process and Source Documents

Process	Source Document
Request for a Quotation	Quotation
Acceptance of Quote	Order
Delivery of Items or Services	Delivery Note
Accepting Items or Services	Invoice
Payment of Items or Services	Receipts

4.1.1 Quotation

If a quotation is requested for a specific job or item, all the appropriate cost items involved, including materials and time must be included in that quotation. A statement indicating how long the quotation is valid for, should also be provided. If the quotation is accepted, it needs to be signed by the person/organisation accepting the quotation - once it is signed, the quotation is legally binding.

4.1.2 Order

Deliveries should be made according to what is written in the order document. An order is also legally binding, thus all information on the order document must be correct. For example, in an order for fencing poles, the following information should be included:

- 
- Quantity
 - Length
 - Treated or untreated
 - Price to be paid
 - Delivery date
 - Address for delivery

To ensure that the correct items were received in good condition, a delivery note stating what items were supplied must be included with delivery.

4.1.3 Invoice

An invoice is written as a request for payment to people or organisations that owe money. Invoices can be made out for goods supplied, services rendered, or any other circumstance where money is owed.

An invoice should contain the following information:

- A serial number for reference purposes;
- The date of the invoice;
- An optional pay-by date, which may state that payment in arrears is subject to extra charge;
- The name of the person or organisation to whom money is owed;
- The name of the person or organisation who owes money;
- The amount that is owed;
- A detailed description of what the invoice is for, e.g. 100 treated fencing poles 1,5 metres in length;
- To facilitate payment, an account number, branch code of bank and name of account holder (to whom the money is owed) is usually included on the invoice.

Invoice books can be purchased from stationery shops or they can be specially printed to include the details of one's business.

4.1.4 Receipt

Receipts are issued for money received, providing proof that payment was actually made. Payment can be done in a variety of ways including:

- Cash
- Cheques
- Money orders
- Bank transfers

After receiving the funds, a receipt must be written out and given to the person/organisation who paid. A receipt's details are similar to an invoice, and should contain the following information:

- A serial number for reference purposes;
- The date when the money was received;
- The name of the person who paid;
- The amount received, written in words and in figures;
- An explanation of what the payment was for;
- The signature of the person who received the money.

As with invoices, receipt books can be purchased from stationery shops or they can be specially printed to include the details of one's business. An example of a receipt is provided in Annex 3.

When donations are received, a receipt is not necessary but the donation must always be acknowledged with a letter of acknowledgement to the donor.

4.2 Preparing a Voucher

To facilitate recording receipts and payments, a voucher should be prepared for every payment or receipt of money. Vouchers are on-going and contain detailed information of every payment or receipt and should be accompanied by all receipts or documents relating to the transaction.

These documents (receipts, invoices, letter of acknowledgement for a donation, etc.) should be pasted onto a clean sheet of paper and referenced according to the voucher number. For example, if there are two receipts relating to a payment, these receipts will be referenced 214-A and 214-B respectively for voucher no. 214.

In the voucher, the budget line (detailed in section 4.5) is referenced according to the expense categories in your budget. They can be given codes to ease recording; for example, the budget line for stationary may be coded as D.3. A voucher for payments is termed a 'pay out voucher', while a voucher for receipts is termed a 'pay in voucher'. Annex 4 provides an example of a pay out voucher for stationery.

4.3 Banking

4.3.1 Opening a Bank Account

The advantages of having a bank account include:

- Money is securely stored - it is dangerous to carry cash;
- Enables the depositing of cheques;
- Possible to pay by cheques if the organisation has a current account;
- Necessary for loan applications;
- Requirement for the receipt of donor funds;
- Current/cheque accounts receive monthly statements that are used to balance the business or project books.

In choosing a bank, the distance to the bank should be considered, as well as the security of the area where the bank is located and the bank rates. To open a bank account, the bank may require supporting documentation depending on the nature of the project. For business accounts, the bank will probably require registered business documentation. For community-based projects or non-profit projects, a copy of the constitution is usually required⁶. Check with banks to make sure the project or business fulfils the criteria for opening a current account.

⁶ Refer to DWAF/Danida PFM Guideline: Formation of PFM Forums and Committees (2005)

4.3.2 Recommendations for Depositing Money into an Account

- Regular deposits should be made if receiving money on a daily basis.
- For security reasons, it is not wise to accumulate large sums of cash.
- The finance officer or person responsible should request a **deposit book** from the bank. Alternatively, one should keep a supply of blank bank **deposit slips** in the office, thus saving the effort of writing them in the bank.
- The bank deposit book or slip should be in triplicate and provides one with a copy for evidence of the transaction.
- Cheques should be deposited as soon after being received as possible as they become invalid after a few months.

The **deposit slip** or **book** has details of:

- The date the money was deposited;
- The account number and name of the account into which the money was deposited;
- The branch where the account is kept and/or the branch code;
- Whether it is a cash deposit or a cheque deposit - a cheque deposit indicates the drawer's name;
- The type of account (savings or current);
- The total amount deposited;
- The signature of the person depositing the money or cheque.

4.3.3 Withdrawing Money from a Cheque Account

A cheque is simply a written instruction to the bank to draw money from an account and give it to the person whose name is written on the cheque. To keep good financial records, all payments should be made by cheque other than where small cash payments need to be made.

When writing a cheque, ensure that:

- A non-erasable ink is used (definitely no pencil);
- The cheque is crossed by writing 'not negotiable' at the top - this means that the cheque can only be deposited into the account of the person/organisation whose name appears on the cheque and thus helps prevent forgery;

- If cash is required for petty cash or for small payments, or for wages where the beneficiaries cannot access a bank, the cheque is not crossed and the word 'cash' is written in place of the name of the payee (person/organisation receiving the money) - anyone can draw the money from a cash cheque, thus extra caution should be taken not to lose the cheque;
- The amount is written in words and in figures so that it cannot be altered;
- The signatures on the cheque are the same used in the bank application form that was completed when opening the account;
- There are no mistakes - a bank will not accept a cheque that has been altered. A cheque with mistakes must have the word 'cancelled' written across it;
- A signed blank cheque is never issued to anyone;
- Each cheque must be supported by *a cheque requisition form*.

Cheque requisition forms ensure that the appropriate people approve all payments. This should have been decided in advance and all stakeholders should know who these people are⁷. These forms also help maintain good financial records, enabling the treasurer to keep track of the project's balance and record what budget line the payment is assigned to. Annex 5 provides an example of a cheque requisition form.

4.3.4 The Bank Statement

A bank statement is a copy of the project's account according to the bank's records. Every month the bank will issue the account holder a bank statement, usually on the last day of every month. The statement includes a record of all transactions for that specific month. As a statement is posted, it usually takes a few days to receive. The statement can also be fetched from the bank on request if receiving post is problematic, e.g. for rural people. Cheques that were presented for payment during the month are normally included with the bank statement.

Bank statements usually include certain information:

⁷ Refer to the Financial Policy in Annex 1

- 
- The account name and number, the date of statement and the current balance should always appear on the bank statement.
 - Most statements have an opening balance. If it is positive, it is a credit balance and the letters CR may be shown next to the amount. If it is negative, it is a debit balance and the letters DR or a minus sign will be shown next to the amount.
 - When a cheque is written out for payment by the project or business, or a cash payment is made, the amount is debited from the account and appears either in a debit column or as a negative amount - this indicates that the bank balance has decreased.
 - The cheque number is always referenced in the column describing the transaction. Note that the date on the statement usually differs from the date written on the cheque, as the bank normally takes a few days to process the cheque. The payee may also delay depositing the cheque.
 - Banks regularly take money out of an account for bank charges. Bank charges will be reflected on the statement - these amounts further decrease the bank balance.
 - Money deposited into the account, either in the form of cash or a cheque, appears as a credit amount - this indicates that the balance has increased.

Bank statements are valuable for comparing against one's own records to ensure the financial books balance.

4.4 Recording Monthly Receipts and Payments

Recording all incoming and outgoing funds in your project is essential. Some businesses employ a bookkeeper or accountant to keep the financial records although for a simple project, a member of the project, such as the treasurer or the finance officer, can easily be trained in bookkeeping. For more sophisticated projects, computer software can be purchased to ease monthly financial bookkeeping.

The records involved in bookkeeping are the:

- **Cash journal**, which consist of monthly records of cash and bank transactions.
- **Ledger**, which records all payments, income, profit and loss, including fixed assets etc. The ledger is audited annually.

Only the *cash journal* will be dealt with in detail here.

The cash journal records every payment and receipt on a monthly basis, and includes detailed information such as cheque numbers, voucher numbers and categorised line items. Annex 6 provides an example of a cash journal. To draw up a monthly cash journal, the bank statement should be referred to in order to check corresponding transactions and bank charges. However, a cheque written near the end of the month is likely to appear in the following month's statement due to delays in processing.

A cash journal contains the following information:

- Date of transaction with corresponding cheque number if a cheque payment was made, and a voucher number;
- Description of transaction;
- Budget line description - usually represented by a code;
- Amount recorded in either cash (such as petty cash payments) or bank column (cheque payments or receipts);
- Totals for the respective columns such as cash payments for the specified month;
- Opening and closing balances - the opening balance is taken from the previous month's closing balance.

4.5 Budget Line Summaries

Budget line summaries provide an overview of payments related to a specific expenditure category, or line item, as stated in the budget.

- This enables the treasurer to monitor expenditure to ensure costs do not exceed the budget.
- The budget line summary is continuously updated and reflects all expenses related to that category throughout the year.

4.6 Income and Expenditure Statements

While the budget⁸ shows the *expected* receipts and payments for the year, the income and expenditure statements show the *actual* receipts and payments for the year.

These income and expenditure statements will indicate the following:

- Where total receipts exceed total payments, there has been a surplus for the year, and the account is in credit with a positive balance;
- Where total receipts are less than the total payments, there has been a deficit for the year, and the account is in debit with a negative balance;
- Any balance from the previous period is called a surplus brought down and is included in the statements.

It is useful to include a column indicating the original estimated budget amount so that it can be compared to the actual amount spent or earned. The variance column will indicate the difference between the two and thus show whether there was more money or less money earned/spent than budgeted for (in a large company, this is calculated separately and called a financial statement). This is illustrated in Annex 8. These statements will need to be audited by a hired auditing firm and presented to the stakeholders in an understandable format and language.

⁸ Refer to section 3.2



Annex 1: Example of a Financial Policy

1. General Statement

- The Executive Committee (herein referred to as the Committee) is responsible for determining the financial policy for the forest product business enterprise (herein referred to as Ndlovu Nursery).
- The Committee will be headed by a Chairperson.
- The Project Manager (herein referred to as the PM) shall be responsible for ensuring that the financial policy of Ndlovu Nursery is implemented as stipulated below.
- The Treasurer will be responsible for all financial matters and accountable to the Chairperson and work with the PM to ensure that the financial policy is efficiently implemented.

2. Auditors

- The firm of J & S Auditors shall be the appointed auditors. The Treasurer shall be responsible for hiring these auditors.
- The Committee shall annually endorse the association with the auditors.

3. Budgeting

- The Treasurer shall be responsible for preparing the annual budget.
- Each annual budget shall require Committee approval.

4. Budget Amendments and Revision

- The budget shall be revised by the Treasurer should any changes take place during the year.
- Revision or amendments of budgets requires Committee approval.

5. Financial Reporting

- The Treasurer shall be responsible for preparing income and expenditure statements on an annual basis.
- For recording and reporting purposes a month shall be recorded as a calendar month and each financial year shall begin on the first day of March and end on the last day of February.
- The Treasurer shall ensure that the statements are audited.
- The Chairperson as well as the PM shall sign the audited statements on behalf of Ndlovu Nursery.
- The Treasurer shall be responsible for presenting the approved income and expenditure statements to all stakeholders in an appropriate and understandable language and format.

6. Bank Accounts

- The PM and the Treasurer are jointly authorised to open bank accounts and jointly carry out transactions on behalf of Ndlovu Nursery
- The PM and Chairperson shall have authorised bank signing powers - this includes the signing of cheques.
- In the event of one signatory not being available, an assigned Committee member, as decided by the Committee, shall then be an alternate signatory.

7. Limitation on Disbursement

- Payments for budget-approved expenditures may be made up to R10 000 per transaction. For an amount more than this, the Treasurer will need to seek Committee approval.



8. Salaries Control

- The Committee shall review and approve all remuneration.
- The Chairperson and PM shall sign a schedule of approved remuneration.

9. Encashment of Leave

- In exceptional circumstances, such as for compassionate reasons, leave may be taken as cash, which shall require special approval from the PM in consultation with the Chairperson.

10. Fund Raising

- The Chairperson and PM shall be authorised by the Committee to negotiate and sign grant and/or donor agreements on behalf of Ndlovu Nursery.

11. Use of a Private Vehicle for Business

- Use of a private vehicle on authorised Ndlovu Nursery business (excluding between home and office) shall be reimbursed at a rate per kilometre as determined by the Automobile Association of South Africa, applicable to the category of vehicle.
- No traffic fines shall be paid by Ndlovu Nursery under any circumstances.
- All vehicles used on Ndlovu Nursery business, whether private or loaned, shall be fully insured by the owner.
- In the event of an accident where insurance excess is to be paid, Ndlovu Nursery shall bear the cost provided no negligence was involved on the part of the employee.

12. Financial Disputes

- Any non-compliance of this financial policy or other financial disputes should be referred to the Committee.
- The existing Constitution of the Committee should be used to guide methods of dealing with non-compliance.

**Signed and dated by the:
Chairperson of the Committee**



Annex 2: Example of an Annual Budget

BUSINESS NAME

Budget for 2005

INCOME CATEGORIES	EXPECTED EXPENSES 2005
Services rendered	
Items sold	
Share dividends	
State grants	
Loan	
Other fund raising	
Total receipts	
EXPENDITURE CATEGORIES	
Salaries	
Vehicle loan	
Vehicle running costs	
Telephone	
Office consumables	
Water	
Electricity	
Insurance	
Nursery supplies	
Tools	
Irrigation system	
Building maintenance	
Consumable items	
Total expenses	
Surplus / (Deficit)	



Annex 3: Example of a Receipt

**RECEIPT
012**

GUM POLE SUPPLIERS

DATE: 18 October 2004

Received from: Mr T

The sum of: Four Hundred and Fifty Rand only
R 450-00

In payment for: 100 treated fencing poles of 1.5m

Received by: Mrs N (Treasurer)



Annex 4: Example of a Pay Out Voucher

BUSINESS NAME

Voucher No.: 214

PAY OUT VOUCHER

Month: July

Paid to: ABC Stationers

Cash:

Project Budget
Line

D.3

Cheque:

Text	Receipt	Date	ZAR
Ink cartridge for printer	214 - A	12 July	250.00
Total			250.00



Annex 5: Example of a Cheque Requisition

Cheque Requisition Form

Date: _____ Cheque no.: _____

Amount of cheque: _____

Amount per budget: _____ Cost Centre: _____

Balance (before cheque):

Explanation for payment:

Signed

Date



Annex 6: Example of a Monthly Cash Journal

Cash Journal

No. 12

July					Cash		Bank	
Date	Voucher no.	Cheque no.	Description	Budget Line	Pay out	Pay in	Pay out	Pay in
12-July-02	214	018	Ink cartridge for printer	D.3			214.00	
15-July-02		019	Cash for office use			500.00		
21-July-02	215		Pens	D.3	15.00			
25-July-02	216	020	Telephone bill	D.1			305.00	
27-July-02	217		Income for sales of plants	A.2				600.00
28-July-02	218	021	Salary: Mr X (Administrator)	B.1			5,000.00	
30-July-02			Bank charges				45.60	
Paid out cash					15.00			
Paid in cash						500.00		
Paid out bank							5,759.60	
Paid in bank								600.00

	Cash	Bank
Opening balance	10.00	55,000.00
Movement this journal	485.00	-5,159.60
Closing balance	495.00	49,840.40



Annex 7: Example of a Simple Budget

Theme	Budget line	Description	Cost per unit	No. of units	Total
Workshop	Accommodation	2 People for 1 night	R 200	1	R 200
	Catering for 20	Tea	R5	20	R100
		Lunch	R15	20	R300
	Consultants fees	2 x 2 days	R 300 per day	4	R1200
	Transport	1 x Mini-bus taxi	R 750	1	R750
		Air tickets to/from Jhb	R 1000	2	R2,000
	Postage and communication	Invitations, telephone and fax			R400
	Workshop materials	Stationary			R250
		Reports of proceedings			R500
	Contingencies @10%				R570
	TOTAL				R6,270



Annex 8: Example of an Income and Expenditure Statement

BUSINESS NAME

Annual Income and Expenditure Statement
01 March 2002 - 28 February 2003

INCOME CATEGORIES	Budgeted	Actual	Variance
Services rendered			
Sales			
Share dividends			
State grants			
Loan			
Other fund raising			
Total receipts			
EXPENDITURE CATEGORIES			
Salaries			
Vehicle loan			
Vehicle running costs			
Telephone	900.00	815.00	85.00
Office consumables	200	250.00	- 50.00
Water			
Electricity			
Insurance			
Nursery supplies			
Tools			
Irrigation system			
Building maintenance			
Consumable items			
Total expenses			
Surplus / (Deficit)			



Annex 9: Glossary

Break even

To make neither a profit nor a loss.

Budget line

A category of expenses indicated in the cash journal.

Capital

The total wealth owned or used in a business by an individual or group.

Cash Flow Forecasts

The anticipated movement of money into and out of the business.

Cash Journal

Monthly records of cash and bank transactions.

Deficit

The amount by which money is lower than expected or required.

Dividends

A portion of a business's profits paid to its shareholders.

Donor

Individual or organisation who donates money, services and/or expertise to a project or group with no expectation that it will be repaid.

Fixed assets

Assets of the business in the form of offices/buildings, vehicles and equipments.

Joint venture

Where more than one individual or organisation form a partnership and pool their resources to start a project or business.



Loan agent

An agent such as a bank who lends an amount of money to a business venture.

Ledger

The principal book in which the commercial transactions of a business are recorded.

Line item

A category (such as stationery or salaries) consisting of related expenses with its own budget.

Procurement

Buying or selling of items or services.

Remuneration

Payment for work or services done.

Surplus

The amount of money that is extra or more than expected.



Annex 10: List of References

DEPARTMENT OF TRADE AND INDUSTRY/GTZ: *Training Manual: Partnerships for Growth and Development* (Eds Eddie Koch and Mafisa Research and Planning)

DEPARTMENT OF WATER AFFAIRS AND FORESTRY/Danida (2005): *Logical Framework Approach Project Planning*. Pretoria

The Guideline introduces the process of preparing and documenting a project. It provides valuable information on the Logical Framework Approach (LFA) and guides the reader to prepare, plan, budget, implement, monitor and document a project. Included are also a Project Planning Matrix and tools for internal monitoring and evaluation.

DEPARTMENT OF WATER AFFAIRS AND FORESTRY/Danida (2005): *PFM Guideline: Fund Raising for Projects*. Pretoria

The Guideline details the sources of possible funding for projects. It also provides a format for a funding proposal and details the development of a business plan. This document also provides a useful list of contact details of relevant funding agents.

DEPARTMENT OF WATER AFFAIRS AND FORESTRY/Danida (2004): *PFM Guideline: Formation of PFM Forums and Committees*. Pretoria

The document deals with the different aspects of organising communities/user groups and other interested and affected parties into PFM Committees and Forums. It clearly explains the difference between the two and describes when to use each. It provides the basic steps of how to form a Committee and Forum plus includes a sample of a constitution.



MACLEOD, G. (1999): *Starting your own Business in South Africa*. (1999). Oxford Press. Cape Town

This is a practical guide to starting a business and includes financial management elements such as financial record-keeping and developing a financial plan. It includes checklists and formulas and provides step-by-step methods for tackling each aspect of starting a business.

PARKER E. (2003) *Run Your Own Business and Make Lots of Money*. Rollerbird Press. Johannesburg

This book explains in simple language how to start a business and includes the financial aspects as well as marketing and tracking business performance. It includes case studies and anecdotes.

Websites:

www.businesshub.ws

www.dti.gov.za

www.sars.gov.za



Annex 11: The PFM Guidelines

The eight PFM Guidelines were prepared as part of the DWAF/ Danida PFM Project (2001-2005). The PFM Guidelines aim to empower DWAF staff, the new custodians of the state forests and partners at local level to implement the new DWAF Forestry Vision. The PFM Guidelines are thus meant to put into operation community upliftment in accordance with the DWAF Criteria, Indicators and Standards for Sustainable Forest Management.

Some Guidelines target local groupings, where limited capacity prevails.

The Guidelines are available from the Directorate: Participative Forestry in DWAF, Pretoria.

Description and Main Target Groups

Guideline	Description	Main Target Groups
Stakeholder Participation	How to mobilise stakeholders at local level and form partnerships and agreements with local user groups/communities	DWAF and the new custodians of state forests as well as other departments/ organisations pursuing participation in natural resource management
Legal Options for Community Partnerships with DWAF Forestry	Legal mechanisms/entities available for local groups to co-operate and form Community Forest Agreements (CFAs) with DWAF and thus obtain licences to use forests and their products	DWAF and the new custodians of state forests as well as local groupings (PFM Committees, CBOs, NGOs, clubs, small enterprises etc)

Logical Framework Approach Project Planning	Planning and documenting a project and explaining what a project is, including the major projects funded by donors	DWAF and the new custodians of state forests and local groupings (NGOs, CBOs, Forest User Groups, etc)
Sustainable Resource Use	Multiple stakeholder use of indigenous forests through the development of sustainable use systems	DWAF and the new custodians of state forests and local groupings (NGOs, CBOs, PFM Committees, Forest User Groups, etc)
Project Monitoring and Evaluation	A tool for monitoring and evaluating projects in line with DWAF's new monitoring and regulatory role	DWAF and the new custodians of state forests
Fund Raising for Projects	How to compile a funding proposal and where community structures and other local groupings can apply for funding for forest related and natural resource management projects - complements the PFM Guideline: LFA Project Planning	Local groupings (NGOs, CBOs, Forest User Groups, etc)
Formation of PFM Forums and Committees	Aspects and procedures of developing local PFM structures and compiling a constitution in order that DWAF can liaise and form partnerships with communities through local structures - supplements the PFM Guideline: Stakeholder Participation	DWAF and the new custodians of state forests and local groupings (NGOs, CBOs, Forest User Groups, etc)
Financial Management of Projects	Simple aspects and processes of sound financial management of projects - many local groupings have limited capacity in this regard and can thus not apply for project funding	Local groupings (NGOs, CBOs, Forest User Groups, etc)