SOCIETY FOR ENVIRONMENT & DEVELOPMENT

FINANCE MANUAL

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1. Introduction to financial management

Leaders and managers of NGOs have to develop, at the very least, basic skills in financial management. Expecting others in the organisation to manage finances is clearly asking for trouble. Basic skills in financial management start in the critical areas of cash management and bookkeeping, which should be carried out following certain financial controls to ensure integrity in the bookkeeping process. Financial analysis shows the ‘reality’ of the situation of an organisation – and as such, is one of the most important practices in management.

The financial situation of an organisation should be reviewed at least on a monthly basis, with the focus on the budget, receipts of income and expenditure. The Executive Director shall be responsible for ensuring that financial controls are in place and adhered to and, more specifically, that:

- expenditures remain within the budget,
- expenditures are only for the purposes set out in the budget,
- financial documentation, including quotations, invoices and receipts are collected and filed in an orderly manner.

All staff members, programme beneficiaries, volunteers and board members generally have a responsibility to prevent financial mismanagement. It is therefore imperative to have **internal financial control mechanisms** and policies in place.

Internal accounting control comprises a series of procedures designed to promote and protect sound management practices, both general and financial. By following internal accounting control procedures, an organisation will significantly increase the likelihood that:

- financial information is reliable, so that managers and the Board can depend on accurate information to make decisions,
- assets and records of the organisation are not stolen, misused or accidentally destroyed,
- the organisation’s policies are followed,
- government regulations are complied with.

The first step in developing an effective internal accounting control system is to identify those areas where abuses or errors are likely to occur. The following areas and objectives, need to be addressed through an effective internal accounting control system:

cash receipts – to ensure that all cash intended for the organisation is received, promptly deposited, properly recorded, reconciled and kept under adequate security,

cash disbursements – to ensure that cash is disbursed only upon proper authorisation of management, for valid business purposes and that all disbursements are properly recorded,

petty cash – to ensure that petty cash and other working funds are disbursed only for proper purposes, are adequately safeguarded and properly recorded,

payroll – to ensure that payroll disbursements are made only upon proper authorisation to bona fide employees, that payroll disbursements are properly recorded, and that the organisation is compliant with related legal requirements (such as payroll tax deposits),

grants, gifts, and bequests – to ensure that all grants, gifts, and bequests are received and properly recorded and that compliance with the terms of any related restriction is adequately monitored,

fixed assets – to ensure that fixed assets are acquired and disposed of only upon proper authorisation, are adequately safeguarded and are properly recorded.

Additional internal controls are also required to ensure proper recording of donated materials, pledges and other revenues, accurate, timely financial reports and information returns and compliance with other government regulations.

Achieving these objectives requires that our organisation clearly states procedures for handling each area, including a system of checks and balances in which no financial transaction is handled by only one person from beginning to end. This principle, called **segregation of duties,** is central to an effective internal controls system. For example, the Executive Director might approve payments and sign checks prepared by the bookkeeper or office manager. The board treasurer might then review disbursements with accompanying documentation each month, prepare the bank reconciliation, and review cancelled cheques.

The board and the Executive Director share the responsibility for setting the tone and standard of accountability and conscientiousness regarding the organisation's assets and responsibilities. The board, usually through the work of the finance committee, fulfils that responsibility in part by approving many aspects of the internal control accounting system.

The policies and procedures for handling financial transactions are best recorded in an accounting procedures manual describing the administrative tasks and identifying the person responsible for each task. The manual does not have to be a formal document; it can be a simple description of how functions such as paying bills, depositing cash and transferring money between funds are handled. As you start to document these procedures, even in simple memo form, the memos themselves can be kept together to form a very basic accounting procedures manual. Writing or revising an accounting procedures manual provides a good opportunity to ensure that adequate controls are in place; additionally, such a manual helps to facilitate a smooth turnover in financial staff.

The Executive Director is commonly responsible for overseeing the day-to-day implementation of these policies and procedures. Due to the number of detailed requirements involved when an organisation receives funding from a given donor, there should be one person in the organisation with the responsibility of understanding and monitoring the specific regulations, requirements and compliance factors specific to that donor.

As an organisation changes and matures and funding and programmes change, you will periodically need to review the internal accounting control system which was established and to modify it to make allowance for new circumstances (bigger staff, more restricted funding) and regulations (such as receiving bigger grant awards with increased compliance demands).

As a non-financial leader or manager, you are not required to set up the bookkeeping system yourself, or to maintain it. This should instead be done by a competent bookkeeper or accountant employed by your organisation. It can also be done by someone who offers a bookkeeping service to a number of organisations.

The advantages of having a bookkeeper permanently employed by an NGO are that:

- the bookkeeper's first loyalty will be to the organisation,
- the bookkeeper will be available at all times,
- the cost of employing the bookkeeper remains the same, no matter how many times he/she is required to meet with staff or explain something to them,
- if an NGO's finances are complicated and there are many financial transactions, the organisation may need a bookkeeper on hand to deal with queries and problems as they arise.

When a bookkeeper is employed it is important to:

- check references, experience and qualifications,
- make sure he/she can use the system you have or want to use (very important if you are computerised),
- conduct the interviews in the presence of someone with financial expertise, who will ask the right kinds of questions,
- insist on a probationary period of at least three months.

2 The accounting system

A practical accounting system for an organisation typically consists of the following:

2.1 The funding agreement

The funding agreement between the donor and the organisation outlines all aspects regarding the project and should include the following:
• activities to achieve the deliverables
• funding of the project
• reporting on activities
-- narrative report
-- financial report
-- periods of reporting
• management of funding and procurement of goods
• stipulations in the budget regarding how the funding is to be applied.

2.2 The budget
The budget includes all planned activities listed by type of activity. It is a financial framework listing all activities and deliverables as stipulated in the agreement. Each line item in the budget indicates the costs which may be incurred for the specific activity (for example, the number of workshops to be presented, the number of persons to attend, the venue rental costs, the presenter costs). Travelling costs and per diems are either provided for in a separate line item or aligned with specific activities. Fees per kilometre and per diems applicable are listed. Provision for administrative costs may include:
• bookkeeping fees
• audit fees
• telephone costs
• rental
• stationery
• other office costs
-- Office costs may be subdivided into specific costs or may be provided for as a lump sum for overhead costs for the total project.
-- If divided into specific costs, actual costs are claimed per month as they occur according to specification.
-- If specified as a lump sum, the total overhead provision may be transferred to a dedicated account from which running costs are paid monthly in total. The organisation can transfer the overhead funds to a dedicated account named, for example, 'own funds', pooling overhead funds from different projects. When transferring the overhead costs to an 'own funds' account, that sum is entered as an expense in the records of the project in the month of transfer in one sum.
The organisation's running costs which are not project-specific may be paid from the 'own funds' account. Funds remaining in this account may also be used to bridge periods when projects have been completed and new projects have not yet commenced, but running costs like rent, telephone and insurance still have to be paid by the organisation.

If, during the implementation of the agreement, it is found that certain reasonable costs could exceed the relevant budget line, an agreement has to be reached with the donor to re-adjust the costs accordingly and to rebalance the budget by reducing other line items. This should be done before overspending on a line item actually occurs. Salaries and fees are generally not adjustable during the course of an agreement. For the duration of the project a summary of expenses is drawn up and is updated monthly, indicating monthly expenses, total expenditure to date and the remainder of funds per line item. This serves as a control instrument for both the manager of the organisation and the project programme managers.

The following expenses are usually not allowed by donors:

• **lobbying –** includes direct legislative lobbying and grassroots lobbying;
• **fund-raising –** includes costs of organised fund-raising, endowment drives, solicitation of gifts and bequests and similar expenses incurred solely to raise capital or obtain contributions;
• **bad debts –** any losses arising from uncollected accounts and other claims and related costs;
• **contingencies –** contributions to a contingency reserve or any similar provision for unforeseen events;
• **fines and penalties –** resulting from violations of, or failure to comply with state and local laws and regulations;
• **losses on other awards –** any excess of costs over the grant budget is not allowable;
• **unnecessary travel costs –** for example, when travelling by air, only economy class is allowable;
• contributions and donations by the organisation to others;
• certain depreciation or use allowances on buildings and equipment purchased with the donor's funding;
• **entertainment –** costs for amusement, social activities, ceremonials, hospitality and activities relating thereto, such as meals, lodging, rentals, alcoholic drinks, transportation and gratuities are unallowable;
• **interest –** costs incurred for interest on borrowed capital are unallowable.

In addition, an NGO will generally have to submit a reconciliation of funds received to its donors at pre-arranged time intervals so that control can be kept of how much of a grant advance has been used, whether the NGO would need a subsequent advance and how much interest (which often has to be returned to the donor) any advanced funds have accumulated.

2.3 Bank accounts

The choice of a bank will depend on the facilities available at the grantee's location. The decision should also be based on the willingness of the bank to pay interest on a current account. If the agreement stipulates that interest earned on the funds of the project is refundable to the donor, a dedicated bank account must be opened to accommodate that agreement. Management decides who is responsible for the approval of payments, the signing of cheques, electronic transfers, and the handling of petty cash:

• **Cheques:** A single signatory signs, or two signatories co-sign cheques according to a resolution of the Board of Members of the organisation. The cheque plus a cheque requisition form is completed by the bookkeeper and presented to the signatory/ies, together with the approved invoice for payment.

Organisations must provide safeguards for all grant property, whether cash or other assets, and assure that it is used solely for authorised purposes. Control will be enhanced if the duties of the members of the organisation are divided so that no one person handles all aspects of a transaction from beginning to end. Although a complete separation of functions may not be feasible for a small organisation, some measure of effective control may be obtained by planning the assignment of duties carefully. Many of the most effective techniques for providing internal control are very simple. Within an organisation, the same person should therefore not be performing the following duties:

• preparation of bank reconciliations and approval thereof;
• preparation of requisitions and approval of expenses;
• accounting entries and approval of expense reports.

Where required by a donor agency, a separate bank account should be opened for the specific use of the donor's approved budget and activities. Transfers between donor bank accounts are NEVER allowed. However, if necessary, funds may be transferred from the general account to a donor account when funds run low or funds are not transferred in time.

Bank reconciliations should be conducted on a monthly basis by the financial officer and approved by the Executive Director.

2.4 Petty cash

Depending on the type of activities, cash payments sometimes cannot be avoided. In this case a petty cash structure must be put in place. One person only should have control over cash funds, have sole access to the cash, and assume responsibility for the reconciliation of the petty cash vouchers and the remaining cash funds. If the financial controller is in charge of petty cash, another person is designated to supervise the petty cash operation at intervals. The handler of petty cash is responsible for the reconciliation of the petty cash funds and is liable for any shortages of cash. The key of the cash box remains with the person handling petty cash at all times.

• Cash is kept in a cash box in a secure, lockable cupboard or a safe.
• For payouts from petty cash, a petty cash request form must be completed.
• The recipient of the cash signs the petty cash request form when receiving the cash.
• The transaction is finalised when proof of purchase (invoice or till slip) is handed to the keeper of the petty cash and any surplus cash has been returned.
• The final amount paid, and the funds returned to petty cash, are noted on the petty cash request form.

2.5 Procurement

An organisation's procurement policy should be based on the principle of assuring the most cost efficient and rational use of resources for goods or services that will best serve the organisation both at the present and in the long term. Organisations should follow a multiquote system procurement policy for the supply of both products and services. This system of procurement should not preclude exercising good judgement in assessing the merits of the quotations received. This system of procurement should not result in a lowering of minimum standards or norms as required by the specific purchase in assessing the quotations received. In instances where long-term business relations have developed with suppliers to the extent of sole-sourcing, the relationship will be subject to market-related standards and competitive review. In instances where procurement occurs within monopolistic industries, such procurement will be exercised with good judgment. This does not preclude procurement of services beyond country borders if necessary and to the benefit of the organisation. All assets are to be reflected on the organisation's fixed asset register. Asset disposal shall occur in consultation with the relevant donor.

Different approaches should apply to the purchase of non-expendable items, or fixed assets (such as computers, cars, printers and copying machines), on the one hand, and general purchases (such as office stationery) on the other. Non-expendable items are those with a useful life span of more than one year; they are permanent in nature and include (but are not limited to) office furniture, computer equipment, photocopiers and electronic equipment.

In the case of non-expendable items, or fixed assets, such as computers, printers and photocopying machines:

• the purchase must be provided for by the agreement and approved by the Executive Director
• three quotations must be obtained if the purchase value of a single item exceeds Rs. 5,000, or as specified by the agreement
• the Executive Director must confirm the choice (made from the quotations) of item to be purchased by signing the quotation before the item is actually ordered.

A fixed asset register, listing the following details relating to non-expendable equipment, must be maintained:

• type of equipment
• serial number
• date purchased
• cost of purchase
• current cost (depreciated value)
• location (office assigned to).

All items removed from the asset register should be accounted for by the Executive Director. The asset register should be updated as soon as new items are purchased or acquired, but at least once a year.

In the case of general purchases (fuel, stationery, refreshments, cleaning material):
• a purchase order is completed before the item is purchased;
• the delivery note, confirming receipt of goods, is signed by the person of the organisation receiving the goods;
• the invoice is approved by the Executive Director for payment and signed, along with the payment request form and he or she indicates the relevant budget line item;
• the payment is made by cheque or electronic transfer;
• low cost items such as refreshments and cleaning materials are mainly purchased via petty cash.

Non-expendable items should not be removed from the office building unless for purposes relating to a programme. In such a case, prior authorisation must be given by the Executive Director. A prescribed consent form must be completed prior to the removal of the item from the office building. If a staff member removes a non-expendable item from the office without prior consent and it is damaged or stolen, the staff member will take responsibility for the damage or loss of property. A policy does not normally allow for the lending out any nonexpendable items to a person or organisation. However, the Executive Director may use his or her discretion if the need arises for lending out specific items. In such cases, the lender will take full responsibility for damages to or theft of the property.

2.6 Recording of project activities

Activities should be executed as agreed upon in the agreement with the donor. Records and proof per activity must be kept. Reporting is usually done as follows:

a) Narrative reporting on activities

The programme manager summarises the activity, supported by the following documentation, also reporting on outcomes, challenges incurred and results achieved, if measurable:
• an attendance register, signed by all participants of workshops, conferences and seminars;
• the date, place, venue and subject of the seminar or workshop and group addressed (recorded on the attendance register);
• evaluation forms, completed at the closure of the event by the participants;
• questions regarding the presentation and the content of the workshop, completed anonymously by the participants of the workshop (listed on the evaluation document).

b) Financial reporting on activities
All costs incurred for the presentation of an activity are summarised in a financial report:
• **venue costs –** rental of hall
• **presenter fee –** external consultant

• **travelling expenses –** per kilometre fees for presenter or participants from remote locations
• presentation materials and stationery used during the workshop
• refreshments consumed during the workshop
• **daily allowances** *(per diems)* **–** only applicable for overnight absence from home.
When planning an activity, expenses must be aligned with the budget.

2.7 Payments
Payments are usually made electronically by internet banking, by cheque or in cash. The procedures for paying electronically by internet banking or by cheque are as follows:
• payment of an invoice is authorised by the manager's signature and an indication of the budget line item on the invoice
• the bookkeeper completes the cheque requisition form, writes out the cheque and attaches the cheque and the invoice to the requisition form
• each cheque should be secured with the words 'Not negotiable', written out or stamped on the top part of the cheque
• the signatories sign the cheque as well as the cheque requisition form
• the cheque number, the date of the cheque and the project which funds the payment are clearly written on the invoice in order to prevent double payment of invoices
• cash cheques are issued only to replenish petty cash and may not be secured with the 'Not negotiable' note (a cheque which is marked 'Not negotiable' has to be paid into a bank account).

The procedure for payment in cash is as follows:
• each payment from petty cash is recorded on a cash requisition form
• the person in charge of the petty cash completes a cash requisition, noting the amount advanced
• the recipient of the cash signs in acknowledgement of receipt of the cash advance
• after the purchase has been made, the proof of payment (invoice or till slip) and the remaining cash funds are returned to the petty cash holder
• the actual costs, as well as the funds returned are recorded, and the requisition form is signed by the petty cash holder and the purchaser to indicate agreement regarding the conclusion of the transaction
• the proof of payment is attached to the petty cash requisition form.

2.8 Bank transactions – cash book
Bank transactions may consist of cheques issued, electronic banking transactions, debit orders, interest received and bank charges. Banks issue bank statements on a monthly basis or as agreed upon with the bank. All transactions are recorded on a schedule indicating:

• opening balance at the beginning of the month
• all cheques issued during the month, listed in numerical order
• all e-banking transactions, listed in chronological order
• debit orders paid by the bank

• bank charges
• balance at the end of the month.

The balance reflected in the cash book is reconciled monthly with the balance showing in the bank statement. Differences between the two balances are reconciled by listing the outstanding items between the two balances. In the cash book, all payments are subdivided (if applicable) to the line item columns of the projects’ budget line items, and then summarised on the cash book schedule, adding up to total expenses of the month paid from the bank account.

On the cash book schedule, petty cash expenses are also listed and added to the columns for line items. These show movement in funds available in both the bank account and the petty cash.
The cash book summarises movement in funds payable and receivable, and income received from donors.

2.9 Cash transactions – petty cash

All transactions are recorded on a schedule indicating:
• opening balance at beginning of the month
• cash received
• payments made from petty cash.

No petty cash transaction should be left incomplete at the end of each month. The closing balance at the end of the month must be reconciled with the cash available. Any shortfall is refunded to the petty cash by the handler of the petty cash from his or her own pocket.

2.10 Monthly summaries of expenses

On this schedule all expenses are recorded for each budget line item, per month. In one column the budget according to the agreement is listed. In another column the differences between actual costs to date and the budget are indicated, appearing as under budget or over budget. This schedule is an important instrument to keep track of the progress of spending on a funding agreement.

2.11 Trial balance

The trial balance lists all general ledger accounts. The totals of the debit and the credit balances should be equal, proving that debit and credit entries were posted equally and are balancing. This does not prove that costs have been allocated correctly.

2.12 Balance sheet and income statement

The balance sheet and income and expenditure statement are extracted from the trial balance.

The income and expenditure statement includes all monies the organisation has earned or received and balances this against how much has been spent. Essentially, the statement presents total income received and the nature thereof, as well as the costs and expenses charged against this income. For an NGO this statement typically reflects funding sources compared against programme expenses, administrative costs, and other operating commitments. Revenues and expenses are further categorised in the income statement by the donor restrictions on the funds received and expended.

Whereas the income statement depicts the overall status of the organisation’s surplus or deficits by looking at income and expenses over a period of time, the balance sheet depicts the overall status of the organisation’s finances at a fixed point in time – usually at the end of its financial year. All assets are added and all liabilities subtracted to compute the organisation’s overall net worth.

2.13 Audited annual financial statements

Grantees are expected to maintain a state of audit readiness. This means that financial and programme-related records relating to their grants must be readily accessible for audit.

Failure to provide the auditor with reliable documentation could lead to questioned costs and possibly result in cost disallowances. After the end of each financial year an annual audit must be performed by accredited auditors. Each donor is supplied with a copy of the audited financial statements. Donors often expect audited financial reports on their specific funding.

This has to be agreed upon with the auditors at the start of the audit. The total period of the agreement with the donor has to be covered by audited financial statements. This specific reporting to a donor could span the audit reports of several financial years of the organisation, depending on the total period covered by the agreement.

An external audit is an independent report that covers:
- how much money the organisation has received and spent in the financial year, and what the money was used for;
- whether the money has been spent in accordance with the constitution of the organisation, board decisions and donor requirements;
- whether the accounts (the bookkeeping system) have been properly and honestly kept;
- the value of the organisation’s assets;
- how the financial record-keeping system could be improved.

It is also possible to perform an internal audit for your own purposes. This can be done by someone inside the organisation.

The person who performs the external audit (the auditor) must not be actively involved in the organisation, and should not be a relative or close associate of anyone actively involved in it. In some organisations, it is a government or donor requirement that the auditor be formally qualified and registered. In others, it is sufficient if the audit is performed by someone who is competent and not directly involved with the organisation.

The auditor is usually formally appointed at the organisation’s annual general meeting. The auditor can only be changed by a formal resolution at an official board meeting. Donors usually want to know why you are changing your auditor. In many countries there are strict legal guidelines stating who can act as an auditor, often linked to the size of the organisation.

As well as auditing the annual accounts, the auditor is usually available during the year to provide support and advice.
The audit is usually done as soon as possible after the close of the organisation’s financial year.

In preparation of the audit the following documents should be ready:

- a copy of the organisation’s constitution
- copies of contracts, agreements, or letters setting out the conditions of grants, donations or other income received for specific purposes
- copies of budgets for ongoing work or special projects
- copies of grant application forms
- copies of the minutes of board meetings
- income and expenditure analysis records
- supporting documentation for income
- receipt books if receipts for money received are issued
- petty cash analysis records
- supporting documentation for petty cash records
- bank statements for the year
- bank reconciliations for the year
- cheque stubs (counterfoils) for all cheque books used during the year, and the one currently in use if it was used for the year under audit
- cheques returned to the organisation by the bank once they have been cleared
- all deposit book records
- a list of creditors (everyone to whom the organisation owed money) at the end of the financial year
- a list of debtors (everyone by whom the organisation was owed money) at the end of the financial year
- a list of creditors and debtors from the end of the previous financial year
- records of statutory payments made, particularly on staff salaries
- details of all assets.

The auditor may also ask to see:

• **a list of accruals –** income the organisation has received for goods or services it has not yet provided;

• **a list of pre-payments –** expenditure the organisation has made for goods or services it has not yet received;

• lists of accruals and pre-payments from the end of the previous financial year.

Other documents the auditor may need or that will help the auditor include:
• vehicle log books
• value added tax (VAT) records
• tax records

When the audit is almost complete, the auditor will list issues that have not been fully resolved during the audit. The auditor will ask management to clarify these issues; if unresolved issues cannot be clarified, the auditor will mention them in the audit report. Such a circumstance, should it arise, is a very serious matter.

At the end of the audit, the auditor usually draws up a set of draft annual accounts based on the information reviewed. He or she will include a record of income and expenditure actually received and spent, possibly with adjustments for creditors, debtors, accruals, pre-payments and depreciation of equipment or vehicles. There may also be a draft balance sheet showing the financial position of the organisation on the last day of the financial year. The auditor will include a statement saying that the accounts have been drawn up in accordance with certain standards, based on information provided by the organisation. The statement usually says that, in the auditor’s opinion, the accounts are an accurate and honest statement of the organisation’s financial dealings and situation for the financial year in question.

A good auditor will recommend ways to improve the organisation’s financial systems and procedures. The auditor’s advice should always be taken seriously. Such advice is usually given in a **management letter**. This is a very useful document that should be reviewed, along with the accounts, by the board. It may even be shared with donors. The idea is to improve the financial control and accountability practices of your organisation. The Executive Director should report regularly to the board on how the recommendations of the auditor are being followed up.

The draft audited statements should be checked by the Executive Director and then submitted to the board for approval and signing. When the accounts have been signed by board representatives, they are no longer draft accounts, and become **final accounts**.

The accounts should not be signed by any person who does not understand them. If anything is unclear, the auditor may be asked for clarifications;

alternatively, he or she may be requested to attend the meeting at which the board discusses the accounts.

An NGO's Executive Director, who has the final responsibility and is accountable for all funding, needs to ensure that, when going over the audited statements, he or she is able to answer the following questions:

• How do the figures for income and expenditure compare with the actual expenditure for the previous year (which will be shown)?
• How do they compare with the budget for the year?
• Why have there been substantial increases and/or decreases on certain items?
• Have all items of expenditure been included? Are they all justified?
• Has the audit fee been included?
• How does this balance sheet compare with the previous one? Is the organisation in a better or worse position financially than it was last year?
• How do the total current assets compare with the total current liabilities?
• Is any deficit in the year being audited covered by a surplus from previous years?
• Even though previous years' surpluses are part of the accumulated fund or equivalent item, if there is a deficit, how will a similar situation be avoided in this year?
• Are there any large sums of money owing to the organisation? If so, what steps could be taken to retrieve the outstanding payments?
• Where are the financial reserves of the organisation invested, and are they earning a reasonable income? Is the investment in line with the policies of the organisation and are donors happy with the investment policy?
• Does the audit expose any irregularities or problems?
• Do we need to change our financial record-keeping system in any way, and if so, how?
• What does the audit tell us about our financial strategy of last year?

3. Reporting to a donor

Intervals of reports will be as per the agreement between the donor and the organisation.

Reports usually consist of a narrative and a financial report. The narrative report covers all activities completed for the reporting period, in detail. The financial report lists all expenses progressively during the period of the agreement. The reports, as shown in the appendices, are adjusted to cover the donor's requirements.

Sometimes, during the period of the project, it appears that certain activities cannot be carried out as planned, or are not as effective as expected, but could, with adjustments, achieve better results. Under such circumstances, the consent of the donor is to be obtained ahead of changes in the execution of the project. Should this require adjustments to budget line items, such changes are discussed with the donor as well. Only after written consent of the donor has been received may adjustments to the programme be carried out by the recipient of the grant.

4. Staff administration

4.1 The employment agreement

There are several different employment agreements, which may be either for an unspecified period or for a limited period that takes the duration of a project into account. Staff may be employed by the organisation for an unspecified period, where the staff member receives an agreed salary irrespective of the projects with which that person is involved. Alternatively, staff may be employed for the duration of a certain project only, in which case the period of employment corresponds with the period of the project.

The employment agreement stipulates the following:

• the two parties to the agreement – the employer and the employee
• general employment in a certain position, or project-specific employment, specifying which donor agreement rules the employment period
• conditions of employment – position, period of employment, remuneration, leave, length of working week, training, probation time, termination condition, company policy, medical aid and pension fund (most NGO organisations are not in a financial position to offer medical aid or pension fund benefits, a position stated very clearly in the agreement)
• the duties to be fulfilled
• that grossly inconsistent or criminal behaviour or negligence will lead to termination of contract
• that outstanding monies due by the employee to the organisation are refundable on termination of the contract and are deductible from monies payable by the organisation to the staff member
• employment is guaranteed only as long as the organisation has donor funding for the position.

4.2 Salary payments

Salaries are payable before the end of each completed calendar month. Pension fund and medical aid deductions are deducted if applicable.

The pay slip lists the following:
• name of organisation
• name of employee
• period of payment
• basic salary
• all relevant deductions (listed individually)
• net payment due to employee.
Payment of the salary is made either by electronic banking or by cheque (which has to be handed to the employee before or on the last day of the

month for which the salary is due). All salary deductions have to be paid to the relevant organisations:

• Pension fund and medical aid fund deductions are paid to the administrators of the respective funds, inclusive of the employer's contributions, if applicable. Return forms are supplied by the institutions.

4.3 Administration of leave

When leave is taken, a leave form is completed ahead of time. The following details are required:
• employee's name
• purpose of leave (annual, study, maternity or compassionate leave)
• period of leave, indicated by inclusive days
• signature of employee
• signature of person granting the leave
• number of leave days taken.

4.4 Consultants

If external consultants are engaged for the completion of certain activities related to an agreement, an honoraria agreement is reached between the organisation and the consultant. It stipulates the following:
• honorarium payable to consultant
• address of consultant
• profession of consultant
• donor and project for which the honorarium is granted
• period in which the task to be completed
• amount due
• budget line item
• activity description of work performed by consultant.

The honoraria agreement is signed by both a representative of the organisation and by the consultant. The date on which the agreement is signed is recorded.