

Managing grant money

Looking after the funds that take care of your environment

Community grants come with the responsibility of ensuring proper management of associated funds.

Funds must be managed in a transparent way, limiting the risk of accounting errors and removing the opportunity for theft and fraud.

This fact sheet provides a guide to the proper management of funds administered by community groups and volunteer organisations.

The procedures recommended are commonly used in the small business environment. They will assist your group in ensuring the proper authorisation of transactions, the provision of timely information for decision making, verification of this information and detection of errors.

This will help your group comply with its financial obligations and lift unnecessary burden and stress from individuals.

Procedures have been grouped into seven categories:

- Electronic accounting systems
- Separation of duties
- Payments
- Receipts
- Reconciliations
- Financial records
- Budget reporting

Electronic accounting systems

In the age of computer technology, a single transaction like an electronic payment may generate a host of automated accounting processes. It is important to make sure electronic systems have adequate controls in place to minimise the risk of error and unauthorised access. The following controls and procedures are recommended for use with electronic accounting systems.

- **Access controls:** use and protect password security. Only authorised persons with approved logins and passwords should have access to accounting systems.
- **Data entry controls:** accounting systems should have preventative and detective measures in place to ensure appropriate data is entered. For example, no alpha characters allowed in a numeric field.
- **Verification controls:** systems should be able to verify the entered data. For example, the number of items entered or the total value of items entered should match a manual batch total.

- **Audit logs:** systems should be able to generate audit trails that record the names of persons accessing applications as well as recording the dates, times and details of entries or changes made.
- **Daily back-ups:** daily back-ups are recommended as they provide the best protection from loss of information. It is important to test back-up systems (disks, tapes or external hard drives) to make sure information can be fully recovered.
- **Physical security:** computers, printers, back-up equipment and other hardware should be stored in a locked, secure location.



Separation of duties

Separation of duties (SOD) is a key element of transparent and accountable money management. The general premise of SOD is to prevent one person from having both access to assets (monetary or physical) and responsibility for maintaining the accountability of those assets. The idea is that no one person should be in a position to both perpetrate and conceal errors or fraud in the normal course of their duties.

Examples:

- The person authorising purchases should not be the same person placing the purchase order.
- The person placing the order should not be the same person paying for goods or services.
- The person paying for goods or services should not be the same person maintaining the general ledger.

Payments

Where cheques are used to make payments the following procedures are recommended:

- Cheque books are stored in a safe place and accessed only by authorised personnel.
- A separate register of unused cheque books is maintained.
- At least two authorised signatories sign cheques over an agreed minimum value.
- Blank cheques are not signed in advance.
- Invoices and statements are attached to cheques when cheques are presented for signing.
- Cheque numbers and dates of payment are written on invoices and statements. This helps prevent the same invoice from being paid more than once.
- Cheques are recorded in a cash book in numerical order.
- Full details including dates of cheques, payees, invoice numbers or dates of supplier's statements, amounts and reasons for payment are recorded both in the cash book and on cheque stubs.
- Cancelled cheques remain in the cheque book.

Where credit cards are used, they should only be issued to trusted individuals. Monthly statements of the cardholder should be checked by a nominated senior official.

Receipts

Where sales invoice and receipt books are used for the supply of goods or services the following procedures are recommended:

- Invoice and receipt books are stored in a safe place and accessed only by authorised personnel.
- A sales ledger is maintained to record in numerical sequence, details of all invoices issued.
- Where cash is received for payment, a receipt is issued to the debtor.
- Details of receipts are recorded in the Cash Book.
- Cash receipts are regularly banked and recorded on bank deposit slips.

Reconciliations

Bank statements should be checked against (reconciled to) cash book balances every month and approved by a nominated senior official.

Financial records

- Books of account should be maintained and financial statements prepared for review by management, committees and boards.
- Financial statements should be audited annually.

Budget reporting

Monthly budget reports should be assembled and presented on an annual basis. Reports should be checked and approved by a nominated official. Budget reports assist in decision-making, planning processes and the management of cash-flow. They also allow analysis of variations in 'actual' and 'budgeted' income and expenditure, flag anomalies and help detect any likely fraud.



Money management checklist

A quick checklist of the key elements covered in this factsheet.

	Electronic accounting systems are password protected, have mechanisms for detecting errors and tracking entries, are regularly backed up and kept in a secure place.
	Duties are separated to limit opportunity for error and fraud.
	Registers for unused and cancelled cheques, double signatures and records of payment are maintained.
	Credit cards are issued only to trusted individuals and statements are analysed by a nominated official.
	Sales invoice and receipt books are used to record all transactions. Details of these transactions are entered into the cash book and general ledger.
	Bank statements are checked against cash book balances monthly and approved by a nominated official.
	Books of account are maintained and financial statements prepared for review and audited annually.
	Monthly budget reports are prepared annually and checked by a nominated official.



Definitions

Books of account: Journals, ledgers, and other classified records comprising an organisation's set of accounts.

Cash book: Journal in which all cash receipts and payments (including bank deposits and withdrawals) are recorded first (in date order), for posting into general ledger. The cash book is regularly checked against bank statements to make sure they match.

General ledger: Central repository of the accounting information of an organisation in which the summaries of all financial transactions (taken from subsidiary ledgers) during an accounting period are recorded. Also called the book of final entry, it provides the entire data for preparing financial statements for the organisation.

Reconciliation: Item by item examination of two related sets of figures obtained from different sources.

Need further help?

Contact the State NRM Office

Phone: (08) 9368 3168

Email: snrmo@agric.wa.gov.au

Web: www.nrm.wa.gov.au