

# **1. Financial Management of ISESP**

## **General**

Financial Management shall plan and, monitor the budget, analysis accounting records and makes sure there are good financial controls. The main aim of financial management is to ensure that the best use of ISESP resources are made according to its intended goal and plan. To accomplish its objectives in transparent and efficient way, the Executive Committee of ISESP has established the signatory system (combination of members from IDA and ISESP), for any payments. Before making any payment effective, matured approval and authorization activities at separated levels will made based on annual plan. Payments out of approved budget breakdown will be rejected for consistency and transparency purpose.

ISESP executive committee will take serious responsibility to record and control every receipts and payment, (by identifying its sources) that shall be verified by source documents during reporting and auditing.

In performing the above job, the role of financial management of ISESP shall be divided into four main areas:

### ***1.1 Financial planning***

Financial planning links the objectives or strategies of ISESP to the budget process and identifies indicators to help monitoring the progresses.

### ***1.2 Financial monitoring and reporting***

Financial monitoring and reporting comprise actual performance with budget forecasts and taking corrective actions deemed necessary and reports to the governing body of ISESP, its donors and other stakeholders.

### ***1.3 Financial Controlling System***

Financial Controlling System of ISESP shall be responsible to safeguard the ISESP's properties and minimize the possibilities of error and theft.

#### **1.4 ISESP Accounting Records**

ISESP Accounting Records shall be used to make sure that accurate records of transactions are kept in order to provide timely and reliable information to ISESP members, its donors and other stakeholders.

### **2. ISESP Financial Evaluation and Audit**

ISESP Financial Evaluation and Audit is periodic independent inspection of the program, which testes whether the above four areas of financial management are working properly and effectively. ***Regular audit reports through independent auditor shall be made every year. The audit findings shall be posted on the appropriate media to the ISESP members, beneficiaries, governing body (IDA), its donors, to any other voluntary contributors and stakeholders.***

An evaluation shall examine the impact of the work undertaken by the program.

### **3. ISESP Budget Management**

ISESP shall always prepare budget for its ongoing expenditure in advance, usually for one year. The budget category will include both recurrent and capital (as voluntary contribution). ISESP Executive Committee should prepare budget for both income and expenditure. Budgeted income should cover expenditure for normal program running and achievement of ISESP's goals.

#### **3.1 Source of Budget**

The starting point for the preparation of a budget is to identify the program's objectives and to link them to plans or strategies. It is important to identify the ***limiting factor***, the amount of money of the available or the capacity of ISESP to undertake its activities. Therefore, ISESP identified the sources of budget for its program and will always disclose resources obtained in a way that can lead to maximum transparency and accountability to its members, beneficiaries, donors and any other voluntary contributors. The main sources are:

- a. Members voluntary and fixed periodic contribution,
- b. Fund from donors by writing project proposals,
- c. Fund raising occasions, such as diner parties, community mobilization,
- d. Higher institutions such as Universities and Colleges,
- e. Any other voluntary contribution.

Contribution could be in kind through donation or in cash.

#### 4. ISESP Financial Reporting System

ISESP executive committee being with IDA accountant shall be responsible to keep accurate and up-to-date accounting records. Regular summaries of the accounts in the form of budget, budget and actual reports and annual financial statements should be presented to ISESP members, its donors and other stakeholders through accessible media, usually electronic.

##### 4.1 ISESP Cash Flow Statement

ISESP will have cash flow forecast to estimate the pattern of money coming in and going out of its bank account over a period of time. It is an excellent method of managing cash for ongoing activities, and is very essential at the start of new programs like ISESP. A suggested format is shown below.

#### Irob Scholarship and Educational Support Program

##### Cash Flow Forecast for the Period Ended-----

Period	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	<i>birr</i>	<i>birr</i>	<i>birr</i>	<i>birr</i>	<i>birr</i>	<i>birr</i>	<i>birr</i>	<i>birr</i>	<i>birr</i>	<i>birr</i>	<i>birr</i>	<i>birr</i>
<b>Receipts</b> (money coming in)												
<i>Donation-in kind</i>												
<i>Members Cont.</i>												
<i>Voluntary Cont.</i>												
<i>Fund from donors</i>												

<i>Income from fund raising occasions</i>													
<i>Community cont.</i>													
<i>etc</i>													
<b><i>Total Receipts</i></b>													
<b><u>Payments</u></b> (money going out)													
<i>School fee</i>													
<i>Living cost(upkeep)</i>													
<i>Transportation</i>													
<i>etc</i>													
<b><i>Total Payments</i></b>													
<b><i>Opening balance</i></b>													
<b><i>Add total receipts</i></b>													
<b><i>Less total payments</i></b>													
<b><i>Closing Balance</i></b>													

#### 4.2 Receipt and Payment Reports of ISESP

The receipts and payments account is a summary of all cash and bank money coming in to (receipts) and going out (payments). It shall usually prepare at the end of financial period and IDA accountant will be responsible.

The information for a receipts and payments account comes from ISESP own accounts records that will be kept in the IDA office. This report and bank reconciliation

statement shall constitute the main part of the documents needed for auditing the program. A suggested format is shown below.

### I rob Scholarship and Educational Support Program

#### Receipts and Payments Statement Prepared for Year Ended 31 Dec, 2012

	Dt	Cr
<b>Cash/Bank Balance at Nov 30, 2011</b>		
<b><u>Receipts</u></b>		
(money coming in)		
<i>Donation-in kind</i>		
<i>Members cont.</i>		
<i>Non- members voluntary cont.</i>		
<i>Fund from donors</i>		
<i>Fund raising occasions</i>		
<i>Cont. from community mobilization</i>		
etc		
<b>Total Receipts</b>		
<b><u>Payments</u></b>		
( money going out)		
<i>School fee</i>		
<i>Living cost</i>		
<i>Transportation</i>		
etc		
<b>Total Payments</b>		
<b>Opening balance</b>		
<b>Add total receipts</b>		

<i>Less total payments</i>		
<i>Balance carried forwarded as of 31, Dec 2012.</i>		

## **5. Internal Control over Cash**

I SESP shall follow the following procedures while controlling cash.

1. Only authorized person shall make cash collections and payments.
2. Cash receipt vouchers (from IDA) should be recorded in cash flow register book.
3. Cash collections should be deposited to the bank timely and intact. It should be deposited within three days.
4. No payment shall be effected from cash collections
5. Cash collection should be made against pre-numbered and properly signed receipts.
6. New pads (from IDA) shall only be given after previously issued vouchers are returned.
7. Cash payment to the beneficiaries shall be made only through bank transfer.

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<sup>1</sup> All human resource needed, office and other facilities will be voluntary contribution until the program expands