



The flip-cheque financial control system

David A'Bear and Don Crawford, South Africa



IT IS WELL known that a major area of weakness in community based project management lies with money and financial control. Part of the reason for this is because conventional double entry bookkeeping systems require relatively sophisticated concepts to be applied which easily confuses the inexperienced committee treasurer. It was with this knowledge in mind, as well as our own financial ineptitude (especially when it comes to reading many columns of figures such as in an analysis book) that resulted in the development of a simple system that inexperienced people may use.

The flip-cheque system is based upon "making easy" the recording of all details related to project financial transactions required to enable the user, or someone else, to prepare a perfectly acceptable and accurate record of all financial transactions. The value of the system is that the monthly bank statement provides an independent check on the state of the account.

This paper illustrates how the system works and describes actual experiences with communities who have used it.

How the flip-cheque system works

Assumptions

A few basic assumptions need to be set out before continuing with the explanation. These are that:

- one is dealing with a community – based project;

- an elected committee is in place with a formerly established constitution;
- it is possible for the committee to open a bank current account and carry out most financial transactions using a cheque payment system. (This assumption is not valid for all rural areas – although banks are becoming more effectively distributed).

The system

The following sequence of steps need to be followed to set up the system:

- The elected Committee approves the exclusive use of a current account, meaning that all transactions are by standard cheque (see Figure 1), and approves the appointment of two signatories on the account.
- The cheque book is adapted to allow a full description of each amount drawn against the account to be recorded on the back of the cheque form as well as on a duplicate of the record. This is achieved by means of a rubber stamp and carbon paper. The results of the stamp on the back of the cheque are shown in Figure 2.
- The full details of the cheque are first recorded on the reverse face of the cheque form and (through the carbon paper) on the duplicate record. Once completed, the cheque form is removed from the cheque book in the normal way and the form and cheque stub are filled in from the details recorded on the duplicate sheet. This procedure ensures that the details on the

ANNEXURES

Date <u>1/2/96</u>		NAME OF BANK		22 - 02 - 28 - 41
To <u>Cash</u>		PORT SHEPSTONE 5398		Date <u>26/1/96</u>
For <u>Blocks</u>		Pay <u>Cash</u>		Or Bearer of Tonder
Balance brought forward	<u>27419-25</u>			
Deposits	<u>281-00</u>			
Total	<u>27700-55</u>	<u>Four Thousand and Four</u>		<u>R 4400 - 00</u>
This cheque	<u>4400-00</u>	<u>Hundred Rand Only</u>		
Sub total	<u>23300-55</u>			
Withdrawals	<u>7-00</u>			
Balance carried forward	<u>23293.-55</u>			
0209	1119	" 1119 : 220228		
		B Nyoni		<u>A Dlamini</u>

Figure 1. An example of a typical cheque

face of the cheque and the stub comply exactly with the financial record. This procedure helps to exclude careless errors in the drawing of cheques. Cheques may be crossed, uncrossed, third party cheques marked "Not Transferrable" or cash cheques, whatever is required by the payee. The type of cheque does not effect the system.

- Each withdrawal is identified fully with regard to:
 - The identity of the payee (even in the case of a cash cheque).
 - The identity of the person requesting the payment to be made.
 - The identity of the person approving payment (committee member).
 - The clearly written names of committee signatories signing the cheque (signatures are at times illegible).
 - What the money was required for.
 - The exact amount of the cheque.
 - Date and cheque number.
 - A signed acknowledgement of receipt by the payee on the reverse of the cheque form, (this is particularly helpful in the case of uncrossed and/or cash cheques).
- Once the cheque form has been processed for payment by the bank it is returned at month end with a bank statement. The returned cheque
 - is filed as the official record; and
 - the duplicate, that served as the Treasurer's record while the cheque was in circulation, remains as a separate back up. If necessary the duplicate can be removed to be kept in a separate safe place.
- The cheque forms are normally returned with the monthly bank statement to the Committee. The address used may have to be that of a service provider if the Committee do not have an effective and secure postal address. If the Committee authorise the service provider to assist, the cheque forms and statements may be photocopied and checked by the monitoring agent as a back-up control before they are handed over to the Committee. Sometimes funding organizations require such assistance to be provided.
- If the Committee receives monies from community members as contributions or deposits for a particular project all cash payments received are receipted and the cash amounts are paid into the bank account. They may not be utilised as cash or as a "Petty Cash" float until they have been through the bank account.
 - In projects, such as toilet construction projects, where numbered Job Cards for each toilet to be constructed are issued to contractors (who also receive a number), each cash amount received, by way of an owner contribution, is deposited separately into the bank account in the exact amount as received from the home owner or client. The duplicate deposit slip is filed with the relevant Job

Card which is in turn cross referenced to the receipt book by writing the Job Card's Number on the deposit slip and on the duplicate copy of the receipt.

- Where, due to an external cause, (e.g. the next drawdown has not been timeously deposited into the committee bank account and people need to be paid), cash on hand may in an emergency be used as a bridging fund. However, as soon as the drawdown has been deposited and the account has been "topped up" a cash cheque must be drawn for the exact amount used, with all of the details recorded thereon in accordance with the system. This cash is immediately re-deposited in the amounts as it was received as explained in 7.1 above. Separate deposit slips are again used in order to normalise the transactions in accordance with the system and to tie in the previously issued receipts with the relevant job cards.

Adaptation of a cheque book

- In order to adapt a cheque book to this system it is presently necessary to dismantle it by removing the two wire staples that hold it together.
- While retaining their sequential order, each cheque is turned face down and an appropriately sized blank sheet, preferably of coloured paper, is interposed between the "Flipped over" cheque forms.
- The cheque book is then divided into two books of twenty forms each and these are neatly re-stapled to form two separate cheque books.
- A rubber stamp is presently used to imprint the desired details on the reverse side of each cheque form and on the duplicate record sheets. An example of a stamp used in a toilet construction project is reproduced below by way of illustration. However only the top few rows are essential to the system and the body of the grid may be altered to suit individual project needs. (e.g. a sewing project would possibly substitute yarn for cement or a cattle project, stock feed for sand or stone).
- Although at the time of writing it was necessary to manually adapt the cheque book to the system, it is hoped in time to be able to persuade commercial banks to print and bind cheque books for this system, the measure of financial control and recorded accountability will be well worth the effort and co-operating banks will naturally benefit from the use of the system.

Application of the system to a pilot toilet construction project near Pietermaritzburg, Kwazulu-Natal

In 1995 the Institute of Natural Resources was commissioned by the Mvula Trust¹ to develop appropriate systems for implementing and managing a VIP toilet

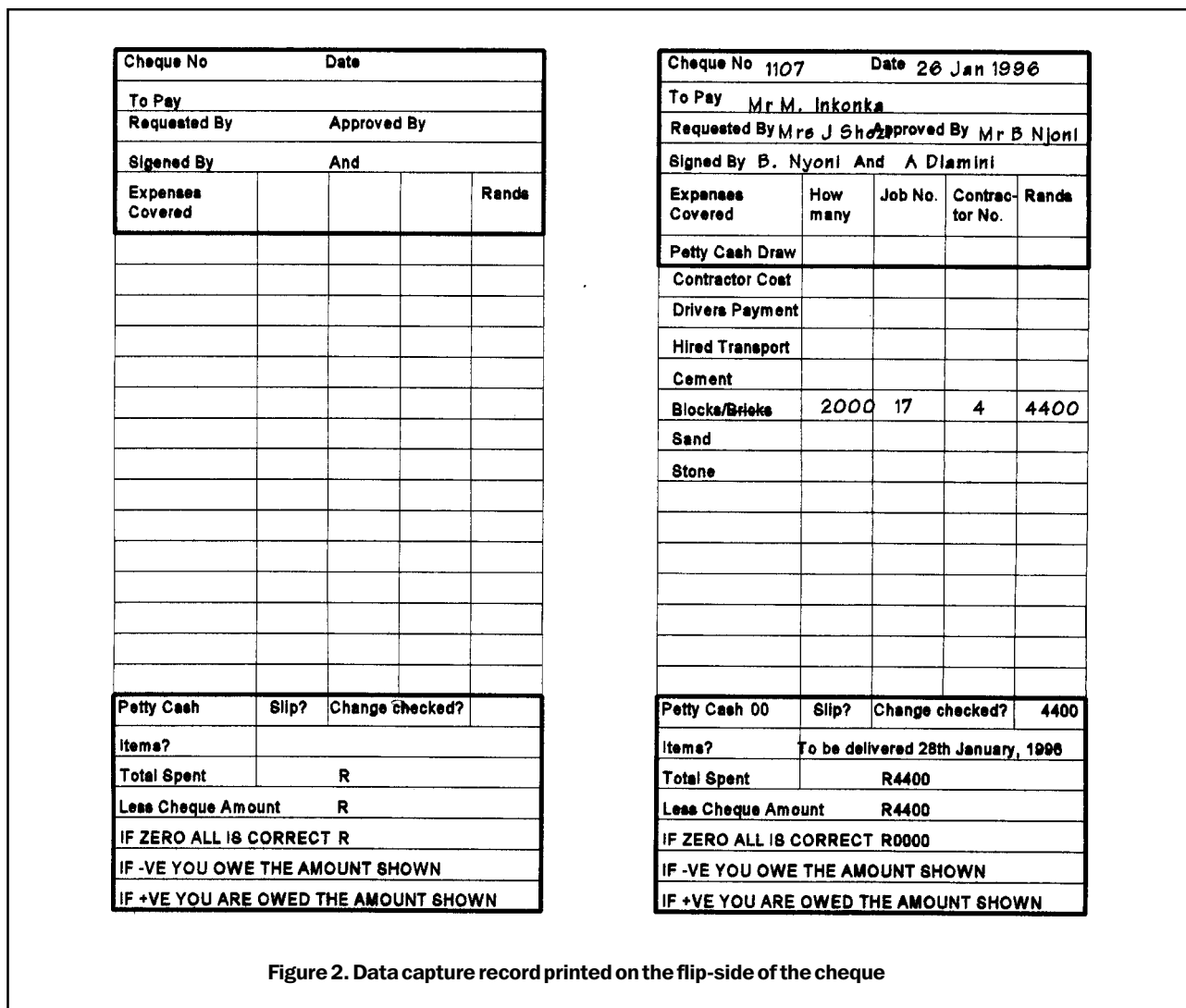


Figure 2. Data capture record printed on the flip-side of the cheque

construction programme in a community near Pietermaritzburg. One of the major problems was how to assist an elected committee who may or may not have financial or bookkeeping skills to manage a substantial budget of >R80 000.00. The Committee agreed to employ the services of a record keeping clerk.

The clerk together with the Treasurer and Chairman were trained in the proposed system for managing the budget. The community members found the system easy to learn, there being few abstract notions involved. Once implemented the system worked without a hitch and the Committee were able to consistently account for the monies used and the monthly bank statements (which acted as an independent check on the system) enabled the Institute of Natural Resources staff to be confident about the management of the funds. *Ad hoc* checks carried out at various stages found the clerk and treasurer consistently

had a grasp of the state of their funds. The system has been used in several smaller projects with equal success. The time may be right to persuade the banking community to consider printing cheques in the way proposed to facilitate the work of many rural communities across South Africa where unskilled and inexperienced people are often having to manage and account for large sums of donor money.

¹ Mvula Trust is a South African agency promoting and funding community - based domestic water and sanitation provision.

DAVID A'BEAR, Director, Integrated Planning Services (PTY) Ltd.

DON RAWFORD, Institute of Natural Resources.