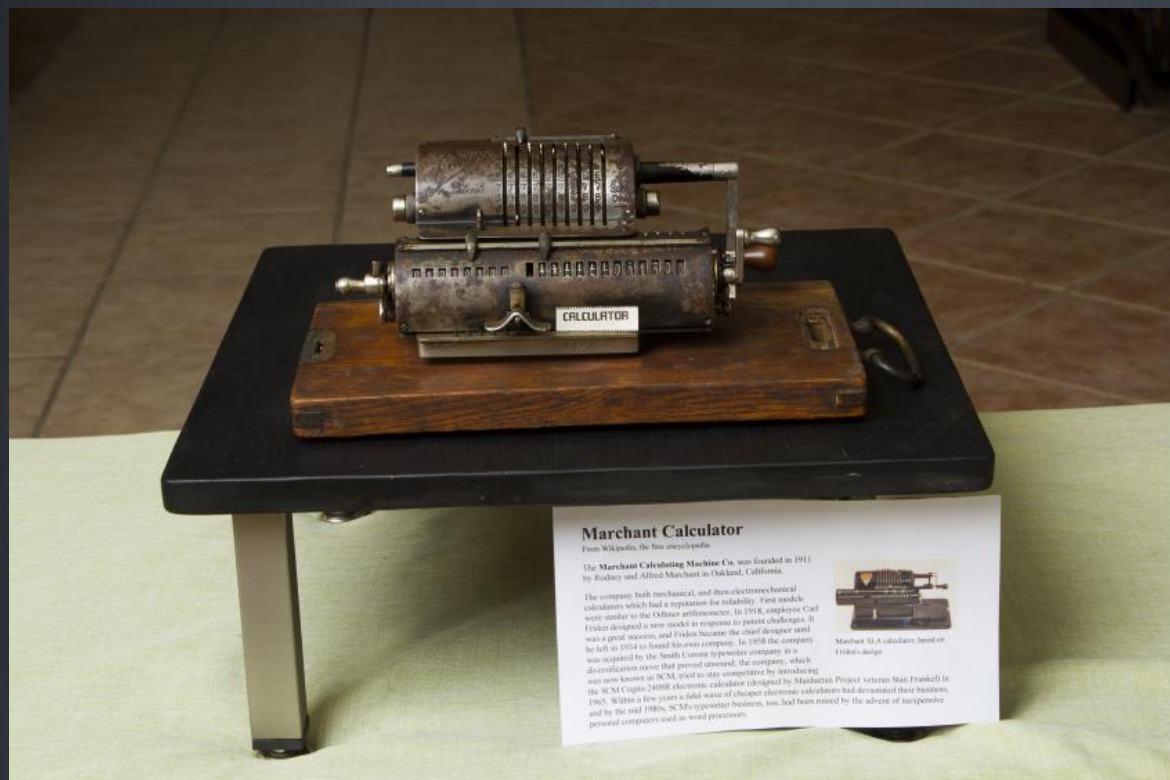


Museum Money Matters

A Handbook on Financial Management for Namibian Museums



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Museum Money Matters:

A handbook on Financial

Authors



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1. Introduction

- **Museums and Money**

It is always useful to remind ourselves of the core functions of a museum as described in the definition of a museum developed by the International Council of Museums (ICOM).

A museum is a non-profit, permanent institution in the service of society and its development, open to the public, which acquires, conserves, researches, communicates and exhibits the tangible and intangible heritage of humanity and its environment for the purposes of education, study and enjoyment.

The core functions of a museum are to establish and maintain a collection and to use it to support research and develop educational exhibitions for the benefit of the public. The definition clearly positions the museum as providing a public service. The definition indicates that a museum should be 'non-profit' and this has caused some confusion in Namibia where community-based organisations see the development of museums and cultural villages as a possible means of income-generation. However, the reality is that in Namibia most museums rely on financial support from an external body, often a Government Ministry or a Local Government Authority to survive. Museums may be perceived as a drain on resources, rather than an economic asset. When communities develop museums or cultural villages it is also important that they register as a Section 21 'Not-for-Profit' enterprise. The reason is that the enterprise will only be sustainable if all income is used to maintain and develop the business.

The Museums Association of Namibia argues that museums are a valuable asset to our country. Museums, Art Galleries, Cultural Villages and other heritage institutions provide us with a sense of local and national identity and provide creative entrepreneurs with inspiration and help ensure that our precious tangible and intangible heritage is preserved for future generations. In order to fulfil their mandate it is important that ALL museums manage the money that they receive efficiently. Museums must submit budgets, make funding proposals, report to donors, deal with the sale of goods, keep accurate records of entrance fees and administer staff salaries and tax. The financial survival of the institution is dependent on the good management of its financial operations. However, the transparent and reliable management of money is also important for the museum to build trust with the community that it serves. If a community is being asked to donate objects to a museum then it is very important that they trust the museum and know that it is a responsible organisation.

This Handbook was developed following a workshop attended by members of the Museums Association of Namibia and has benefited from their experience and inputs. The Handbook is intended to be practical and includes a model Finance Policy that can be adapted to your museum's needs, checklists to help you review your current financial management system and review your annual audit and a set of model forms (at the end of the Handbook) for the main tasks in your museum. The Museums Association of Namibia is able to provide you with soft copies of any of the forms that you might require and would recommend that you customise them by adding the individual logo and, where necessary, contact details of your museum.

- **What is a Financial Management System?**

A Financial Management System is the name given to the procedures and software that an organization uses to oversee and govern its income, expenses, and assets with the objective of maximizing profit and ensuring sustainability. Simply put, it is the way in which the organization manages its finances to make sure that they are handled in a manner that will allow the organisation to keep operating for the foreseeable future. A museum needs a system that ensures that all income and expenditure is accounted for and that there are checks and balances. If two or more people check each transaction it will reduce mistakes whilst balance of powers means that larger payments cannot be authorised by one person alone.

- **The Importance of a good Financial Management System**

An effective financial management system improves short- and long-term business performance by;

1. Organising invoices and collecting bills
2. Eliminating accounting errors by keeping accurate records and regularly checking that all transactions are fully documented.
3. Minimizing repetition in record-keeping
4. Ensuring compliance with tax and accounting regulations
5. Helping personnel to ensure that they stick to the planned annual budget of the museum.

A good Financial Management System has the following features (amongst others);

1. It keeps all payments and receivables (people that owe you money) transparent
2. It keeps track of liabilities (when the museum has outstanding debts, such as an unpaid phone bill)
3. It co-ordinates income statements, expense statements, and balance sheets
4. It ensures the security and integrity of data (financial information, such as staff salaries and medical aid payments should be kept confidential).
5. It keeps all records up to date
6. It helps the auditors to do the audit quickly and without any problems
7. It minimizes paperwork

2. Glossary of Financial Terms

Finance, like other disciplines, has its own language of specialised terms. Sometimes it can be challenging for museum workers to understand the points that their accountant might be making because they do not understand the complicated language that is being used. MAN has, therefore, developed its own glossary of terms that, we hope, will help you translate and understand letters that you obtain from your accountant.

- **Accounting period:** A specified period, often a month or a year, used for creating a report on the financial activity that took place in the museum over this fixed time.
- **Asset:** Any possession, including money in the bank, fixed assets and goods, or claim (money owed to the museum) that is of value.
- **Balance Sheet:** A balance sheet is a simple summary that shows the financial position of the museum, listing all its assets and liabilities.
- **Bank Reconciliation:** A comparison between the monthly bank statement and the museum's accounts to check the completeness and accuracy of the entries.
- **Budget:** A table that summarises as accurately as possible the amount of money that the museum will obtain from grants and income and the amount that it will spend over a fixed period of time to maintain its services and carry out any additional projects.
- **Capital Expenditure:** Spending on equipment, property or other fixed assets which will be used by the museum for more than one financial year.
- **Cash Reconciliation:** A comparison between the amount of cash in Petty Cash box at the end of the month and the balance shown in the Petty Cash Book.
- **Creditor:** A person or organisation that the museum owes money to.
- **Debtor:** A person or organisation that owes money to the museum.
- **Depreciation:** The proportion of the original cost of a fixed asset which is calculated as the loss in value of that item over the course of a year.
- **External Audit:** An independent check of the accuracy of the financial records of the museum over a fixed period of time containing a summary of income and expenditure over this period.
- **Financial Statement:** A formal record of the financial transactions of an organisation over a period of time.
- **Fixed Assets:** High value items that the museum owns, such as office equipment, buildings and vehicles.
- **Imprest System:** A system for organizing your petty cash. The petty cash is maintained at an agreed level and at the end of each month an exact amount is added to bring the amount of cash back to the agreed level.
- **Liabilities:** Sums of money owed by the museum to others such as outstanding invoices.
- **Petty Cash Book:** A book or file used to keep records of all sums paid out from petty cash and the monthly replenishments.

- **Procurement:** The process of buying goods or services for the museum.
- **Quarterly Reports:** A financial report that are submitted every three months ie. Four times during each financial year.
- **Signatories:** People who have been authorized to sign cheques and authorize payments on behalf of the museum.

3. **Banking: Opening a bank account**



- **Determining what type of bank account to open**

The type of bank account you should open is based on what features you would need your bank account to have. There are many different types of accounts that are tailored to serve different types of businesses. For this reason, before you open an account, it will be useful to speak to a consultant at the bank of your choice and find out what type of account would best suit your needs. Of course, you should make sure that you open your account with a bank that has branches that are convenient for you to reach. Often museums keep their account with the same bank for years, but you should monitor the cost of bank charges and the quality of service that you receive so that you can compare this with other banks with local branches. The total amount paid in bank charges over a year can create a serious dent in your bank balance.

- **What you need to open an account**

When you go to the bank to open a bank account, it's always advisable to carry the following;

1. The Original Identity Document or Passports of all the proposed signatories to the account
2. Some money to open the account (the amount will vary depending on which type of account you would like to open)
3. Depending on the type of account, you might be required to provide a Resolution Letter stating when it was agreed for the account to be opened, by whom and for what purpose – This is usually written and signed by all the members of the Board of Directors or Committee responsible for the museum. You might decide that three or

four people will have signing powers, but, normally, you would only require two to sign each payment – otherwise there can be delays if one person is away and a payment has to await their return.

4. For some bank accounts, you will be required to take along the Constitution for the Organisation

What you will need to open a bank account is heavily dependent on the type of bank account you want to open. For that reason, it is always a good idea to take some time to do your research before opening the account. It can be very costly and time consuming to open the wrong account and then have to go through the process of closing the account and having to open a new one.

4. Matching funding Methods with your financial need



- **Types of financial needs**

1. Long- term Financial needs

Long-term financial needs are needs that are expected to be in the business for longer than 12 (twelve) months. This can be because it's a fixed, recurring or a need with a long life span. For example, a museum may need to make repayments of a bond for a building or rent.

2. Short-term Financial needs

Short-term financial needs are needs that are expected to be in the business for less than 12 (twelve) months. This can be because it's a temporary, once-off or a need with a short life span. For example, a museum might be organising a temporary exhibition that will be mounted in a local shopping centre for three months.

- **Types of funding**

1. Long-term Funding methods

Long-term funding methods are funding methods that are used to fund projects that are expected to last longer than a year and will take longer than a year to pay back (if they need to be paid back). They are commonly large amounts of money and are often more difficult to access. For example, this might take the form of a 'soft loan' (with generous repayment terms) from the Development Bank of Namibia that has to be repaid in monthly instalments over a five year period.

2. Short-term Funding methods

Short-term funding methods are funding methods that are expected to fund projects that are expected to last less than a year and will take less than a year to pay back (if they need to be paid back). They are commonly smaller amounts of money and more easily accessible. For example, a sponsor might provide funds to cover the cost of providing a security system for your museum which is installed and paid for within a six month period.

Remember that self-funding (using profits made by the museums from previous activities, such as the sale of souvenir t-shirts and mugs featuring your museum) is also a viable way of funding projects for the museum. Funding doesn't always have to be sought from external parties. If the museum has funds of its own, it's better to use those to either fully or co-fund projects because this money is not 'tied'. What this means that it is not money that HAS to be used to cover particular costs as a particular budget. For example, if the Embassy of Cuba provides money for a poster exhibition at your museum you cannot use it to repair the museum's fridge. However the income from sales in the museum shop can be used to repair the fridge.

- **The matching process**

You need to match long-term financing needs with long-term funding. You also need to match short-term financing needs with short-term funding methods. This will ensure that the source of finance is appropriate to the need. Doing this will prevent scenarios such as taking a large bank loan that will have interest charges to do minor renovations, such as fixing a leaking roof, when the funds for the renovations could have been covered by funds raised from a short-term fundraising activity such as holding a cake sale or a braai.

Before selecting which funding method you should seek, you need to consider the following questions concerning your specific financial need;

- Is it necessary for the improvement of the museum?
- What exactly do you need the funding for?
- When do you need the funding?
- What sources of funding are available to you?
- Is it a long or short-term need?

- What impact will the source of funding you select have on your museum in the long run? ie. Will there be repayment obligations that have to be incorporated into future budgets ?

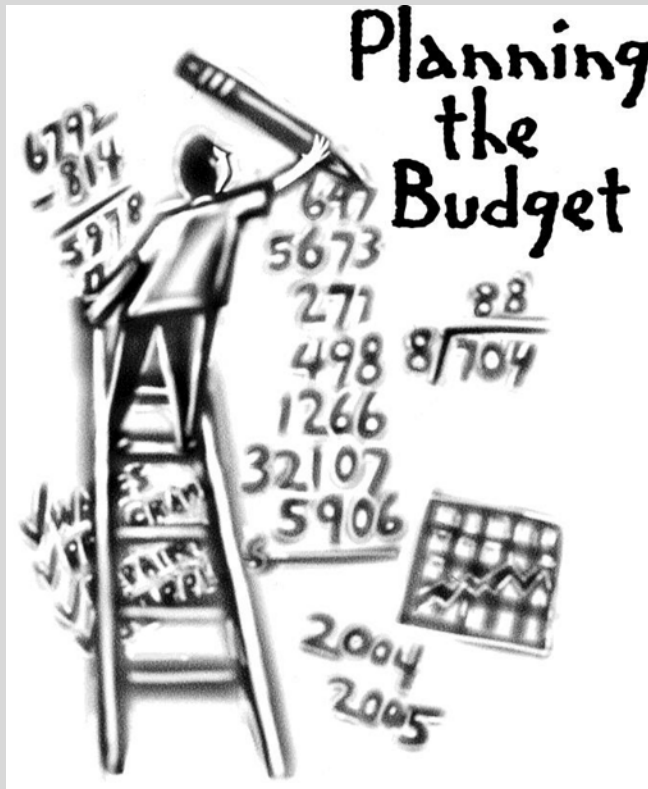
You will also need to keep the following in mind;

- Whoever you plan to approach for funding (if it is an external party such as a donor or bank) you need to research the institution. It is important to know what type of projects they fund and what they want to see from you. For example, if an institution indicates that it will NOT fund building projects then you should not send them a proposal to build a new extension to your museum. This will save you a lot of time that could have been wasted by approaching the wrong institutions.
- Do not borrow more than you need. If your renovations are going to cost N\$10,000.00, don't borrow N\$20,000.00 just because it has been offered to you. Even if you are applying for a grant (which means you do not have to repay the money) you should never inflate your costs as donors are always suspicious. For example, if a good laminating machine costs N\$4,000.00 and you ask a donor for N\$20,000.00 they will conclude that, at best, you have not done your research properly or, at worst, that you are trying to 'eat the money'. So poor budgeting can also have an impact on your reputation !
- On the other hand you should also not borrow less than you need. If the project will cost N\$10,000.00, do not get N\$7,000.00 in the fear that you are asking for too much. Whether you obtain your funding from a bank, an investor or a sponsor – they all want you to deliver the results that you promised. If you underestimate the cost of a project, you will have to go back before the project has achieved its goals and request more funding which will reflect poorly on your planning and effectiveness.

Summary

- ✓ Examples of long-term financial needs include; Construction and renovation, exhibitions and maintenance of buildings, displays etc.
- ✓ Examples of short-term financial needs include; petty cash, consumables, minor renovations and improvements etc.
- ✓ Examples of long-term funding include; large bank loans, donors for long-term projects, on-going fundraising projects etc.
- ✓ Examples of short-term funding include; bank overdrafts, short-term fundraising activities, income from sales and other income generating activities from the museum, small donations etc.

5. Budgeting



- **What is a budget?**

Budgeting is the process of creating a plan giving detailed estimates of the amount of money you will need to complete a series of activities over a fixed period of time. Creating this spending plan allows you to determine in advance whether you will have enough money to do the things you need to do or would like to do.

If you don't have enough money to do everything you would like to do, then you can use this planning process to prioritize your spending and focus your money on the things that are most important to you. The budget may also encourage you to seek ways to reduce costs or seek alternative funding sources for activities that cannot be covered by the funds that you have in the bank or that have already been committed by donors.



- **The Importance of a Budget**

Since budgeting allows you to create a spending plan for your money, it ensures that you will always have enough money for the things you need and the things that are important to you. A museum budget is simply an extended version of a household budget. At home, when your monthly wages arrive you prioritise paying your rent, water and electricity bills and buying food – before you pay for a holiday to Cape Town. Within a museum’s budget you must also prioritise core costs, such as staff salaries and bills for services before planning extra activities such as the purchase of new display cabinets.

Following a budget or spending plan will also keep you out of debt or help you work your way out of debt if you are currently in debt.

- **Who should budget?**

Everyone should budget. A budget does not have to be based on large sums of money. You can even budget for N\$100.00. In fact, when you have N\$20.00 and you need to buy several items, deciding what to buy from that N\$20.00 in order of importance is already budgeting. It already means that you are making choices. You can buy a Russian and a Coke, but you will not have taxi money and so will have to walk home ! So, everyone budgets every day for everything. It’s the best way to make the most out of your money.

For a museum, budgeting should be done by someone who is aware of both day-to-day running costs and the more extensive expenses and sources of income for the museum. Usually, the manager (curator) and/or the finance officer should draw up an annual budget for the museum in advance. The budget should be submitted well in advance of the date that the money is required. If your museum is part of a Ministry or a large institution financial planning may be done years in advance and so you might be required to submit a three year budget.

- **What should you budget for?**

It is important to consider as many things as possible when drawing up a budget. Often, the bigger expenses such as rent, water and electricity and salaries are listed but the smaller budget items such as cleaning supplies are forgotten, but all these smaller items will add up over the course of the year and create a financial challenge for the museum.

For this reason, if it is the first time you are drawing up a budget, after you have listed the bigger budget items, take a walk around the museum and physically look for smaller budget items that can be easily forgotten (such as the need to change light bulbs !). The budget for the museum should not only cover the core running costs of the museum, but also be linked to your programming. For example, perhaps you are planning a special temporary exhibition in two year's time to mark the 100th anniversary of the birth of a local celebrity.

Therefore, when you budget, you should include ALL your expenses and ALL expected income for that year. It is however very important to remember two things when budgeting;

- a) Never overstate your expected income and
- b) Never understate your expected expenses.

In accounting, this is called 'The Prudence Concept'. Sticking to this concept will ensure that you will be able to draft a realistic budget.

It is advisable to have a monthly budget as well as an annual budget. If possible, you can also have longer term budgets e.g. for the next 5 years. Museums often refer to an 'Activity-based Budget' – a term that shows the close connection between the activities and events that a museum is planning and its financial planning. The budget would not just state 'Workshops – N\$100,000.00, but would break down the cost into the cost per head for each meal, accommodation, travel costs etc.

Reconciling your budget

When the time frame for your budget has ended, it is important to reconcile your budget. This simply means to see how well you stuck to your budget.

Reconciling your budget can be done by checking your actual expense against your budgeted expenses. You should collect all receipts and proofs of payment and see how they compare to the budgeted expenses. A budget is broken down into budget lines. For example, you might have budgeted N\$25,000.00 for stationary for the year. At the end of the year, you add

up all your stationary purchases over the twelve month period and the total comes, for example, to

It is important to reconcile your budget at the end of each budgeted period (both month and year). It serves as a guide to tell you whether or not you have over spent. Like any testing measure, it helps to identify if anything is going wrong. The earlier errors are picked up, the sooner they can be corrected. If monthly reconciliation is not done, the errors will only be picked up when the museum suddenly runs out of money or at the end of the year when the annual reconciliation is done.

Examples

- ✓ If you forget to add stationary to your annual budget and you spend an average of N\$1,000.00 every month, this might not seem like a big amount. However, if you multiply that by 12 months, you would have under budgeted by N\$12,000.00 for that year.
- ✓ If you do not apply the Prudence concept and budget based on wishful thinking, the following can happen. Your dream budget will anticipate a N\$5,000,000.00 income for the year and only N\$100,000.00 for expenses whilst the actual, real figures are N\$200,000.00 as income and N\$250,000.00 for expenses. You will end up being N\$50,000.00 in debt, whereas, if you had budgeted realistically, you could have implemented a way to reduce expenses and/or increase income. Therefore, when budgeting, look at the income and expenses for the previous years so that you can have realistic expectations. For example, if your annual phone bill is N\$20,000.00 than it is realistic to expect that if the amount of phone calls are similar the next year's phone bill will just increase in line with inflation, so if you add 5% the budget for the next year would be N\$21,000.00



Monthly Reconciliation of the Budget

Reconciling a budget means that you compare the expected income and expenditure in a budget against the actual income and expenditure, using the budget lines used to divide the budget into different sections (see the example below).

Income N\$			
Item	Expected	Actual	Difference
Sales of souvenirs	5,000.00	4,500.00	-500.00
Guided tours	20,000.00	22,000.00	+2,000.00
Printing	500.00	500.00	0
Book sales	2,300.00	2,000.00	-300.00
Photographs	200.00	900.00	+700.00
Total Income	28,000.00	29,900.00	1,900.00
Expenses N\$			
Item	Expected	Actual	Difference
Rent	5,000.00	5,000.00	0
Water	100.00	102.59	+2.59
Electricity	500.00	453.88	-46.12
Telephone	300.00	291.00	-9.00
Advertising	100.00	0.00	-100.00
Salaries	15,000.00	15,000.00	0
Cleaning Material	400.00	451.78	+51.78
Toilet paper	100.00	99.98	-0.02
Stationary	1,500.00	1,257.63	-242.37
Transport	500.00	400.00	-100.00
Petty Cash	1,000.00	995.00	-5.00
Total Expenses	24,500.00	24,051.86	-448.14
Balance (Profit/Loss)	3,500.00	5,848.14	2,348.14

6. Creating and Maintaining an Asset Register



- **What is an Asset Register?**

An asset register is a list of the fixed assets that the museum owns. The list usually contains information about the assets such as their date of purchase, financial value and annual depreciation or appreciation. It is important to have accurate information about the value of assets so that they can be insured against theft or damage. Assets, such as vehicles, are significant in determining the value of a museum, but the fact that vehicles lose value each year means that you can also budget to replace a vehicle after, xxx years.

- **What should be recorded?**

The museum should record all assets that are owned by the museums for the purpose of the production of goods or rendering of services and which are not held for the purpose of sale in the ordinary course of business. These can be assets such as the land and buildings, vehicles and office equipment and furniture. Whilst machinery used to produce things like pottery, traditional clothing, ornaments and jewellery for sale in the museum shop can be considered as assets, the stock itself is not treated as an asset.

- **How often to update**

The asset register should be updated at least once annually. When updating the asset register, the curator should record all fixed assets that have been purchased during the year and all those that have been damaged or sold. The register should indicate the current market value at the time of recording.

If the museum has an accountant, it would be advisable to calculate the depreciation of the assets, otherwise advice should be sought on the rate at which different assets lose value over time. For example, it might be decided that a computer is likely to have a useful life of five years and that it would, therefore, depreciate in value by 20% a year over five years. The assumption is that, after five years of use, the computer will be, literally, worthless and should be replaced. Devaluation of assets helps you with budgeting as it helps you plan to replace equipment as it wears out, or become obsolete, over a period of time.

7. Purchases



Whenever purchases are done for the museum, they should be done in a manner that is transparent and orderly. Records should provide the motivation for each purchase and clearly indicate the budget line that each purchase will be allocated to. Complete documentation of purchases is important for all types of purchases, from consumables such as cleaning materials and stationary to bigger purchases such as display equipment and material for the museum.

- **Purchasing procedures and forms**

Your museum should have its own guidelines and procedures to ensure that the need for purchases and the purchases themselves are clearly monitored and documented. The Museums Association of Namibia is very willing to comment on draft guidelines if requested.

The purchasing procedure should consist of eight stages;

- a) Identify need for purchase eg. why do you need to buy a new display cabinet ?
- b) Determine quantity required eg. Is one cabinet going to be enough ?
- c) Determine whether or not the provision is made for the purchase in the budget (if yes, proceed , if no, determine whether provision can be made) eg. Is there a budget line for 'Exhibition materials' in your budget and are there still funds available there ?
- d) Source quotations (if applicable). If your guidelines indicate that you need to review three quotations before buying an item costing more than N\$5,000.00 then you need to file the three quotations.
- e) Complete Purchase Requisition form. If the museum decides not to accept the cheapest quotation then a motivation must be provided explaining why a more

expensive option was selected eg. It includes a longer guarantee, better maintenance, better quality equipment etc.

- f) Approval of purchase requisition by authorised individual(s). Your financial guidelines may allow an individual to authorise small purchases, but will usually require an additional level of authorisation for more expensive items.
- g) Purchase. Increasingly payments are made by electronic transfer, but it is still important to send a proof of payment to the supplier to ensure that they are aware that the payment has been made.
- h) Filing and recording of proof of purchase (receipts, tax invoices etc.). All the documents connected with the payment should be filed. Payments should be filed in date order (if there was more than one payment on a particular date than the paperwork for that day should be filed alphabetically, according to the name of the supplier).

Examples of some common guidelines and procedures:

- ✓ For every purchases over a specific amount (for example N\$2,000.00) the individual responsible for making purchases for the museum must obtain three quotations from three different suppliers for the same product/service. Given that the quality of all three is equal, they should then select the cheapest option unless there is a reason not to (such as a substandard quality), in which case they should write a memo justifying why the cheapest option was not selected.
- ✓ For every payment higher than a specified amount (for example, N\$10,000.00), a Purchase Requisition form should be completed by the individual responsible for purchases in the museum and it should be approved by their superior or the chairperson of the board of directors. The Purchase Requisition form should also be accompanied by three quotations.

Having sound purchase procedures and guidelines and adhering to them ensures that;

- ✓ Expenditure remains within the budget
- ✓ Purchases made with the museum's funds 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

8. Petty Cash



- **What is Petty Cash?**

Petty cash is a small fund of cash kept on hand for purchases or reimbursements that are too small to be worth submitting to the more rigorous purchase and reimbursement procedures of a company or institution.

The amount to be kept as petty cash depends on the size of the museum. Petty cash can therefore range anywhere from a few hundred dollars to thousands of dollars. It is important to base the amount of petty cash you keep in your museum on the size of your museum, your average day-to-day expenses and the level of safety at which the amount of money can be held on the premises. Nobody wants to have bundles of N\$100 notes lying in their drawer!

Most museums have a lockable petty cash box and keep, perhaps, N\$500.00 or N\$1,000.00 in cash in the building. If museums need to keep larger amounts of cash then it may be advisable to invest in a more secure storage system, such as a safe. A safe can also be useful as an additional layer of security if the museum has a lot of easily mobile equipment, such as laptop computers and cameras.

- **Proper and Improper use of Petty Cash**

The cash from the petty cash fund should be used only for purchases directly related to the organisation and not for personal use. The petty cash box should NEVER contain 'I owe you' slips from people working at the museum!

The types of purchases that are appropriate to be made from petty cash also depend on the type of organisation.

Petty cash should never be used to purchase anything that will not directly be used for the organisation or the staff (for strictly museum related matters). Petty cash is generally used in museums to buy small, urgent, stationary needs or things such as toilet paper or biscuits, tea and coffee for a meeting.

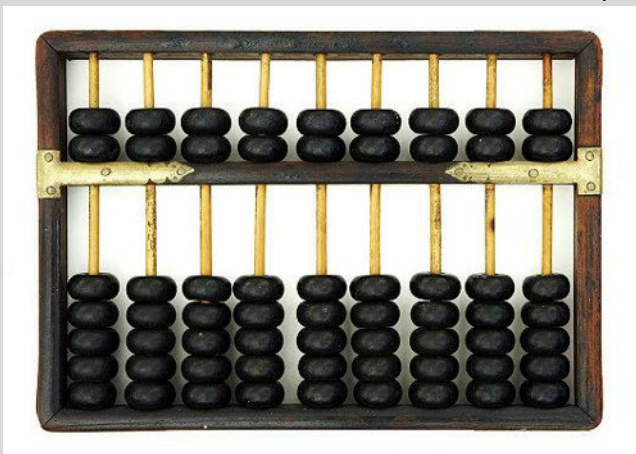
- **Recording Usage**

Museums should keep the amount of cash on their premises to a minimum. Museums should not put income from entrance fees or sales into petty cash so that significant amounts of money build up – as this increases the risk of theft.

To prevent theft, it is important to require strict documentation of any use of petty cash. For example, use of petty cash may require the employee to complete a form when taking cash and subsequently submit a receipt for purchases and return any extra change. Poor book-keeping can cause friction and allegations of theft in a small museum.

Alternatively, employees may be asked to make purchases themselves and then get reimbursed from the fund after an expense report is submitted.

Regardless of which process your organisation chooses to use, there should always be written documentation for all cash used from petty cash.



- **Accountability**

Petty cash funds should always be kept safe and documentation should be up-to-date to ensure that thefts do not occur. The funds must be audited (checked) at least once a month to ensure that the balance in the petty cash box is correct. It is very important to keep the paperwork for the petty cash up to date. If you have expenses where it is difficult to obtain a receipt (such as for a short taxi ride) then you should have a simple claim form where the staff member signs for the cash and gives the reason why cash was required. Normally receipts should be obtained for all purchases, however small.

For accountability purposes, there are usually one or two people who have access to the cash and are held responsible for any shortfall or lack of documentation of petty cash. The person who audits the petty cash should not be the same person who manages it on a daily basis.

- **Reconciliation of Petty Cash**

There are many ways to reconcile petty cash. Some organisations have a fixed petty cash amount but this can become complicated. The Museums Association of Namibia recommends that you use the “imprest” system to reconcile your petty cash at the end of every month.

If there is cash missing when reconciling your petty cash, the individual who manages the petty cash on a day to day basis should provide an explanation and should be held responsible to replace the missing cash. It is therefore very important that the person who manages the petty cash should be trustworthy and should understand the importance of keeping all necessary documentation and receipts.

- **The Imprest System**

The Petty Cash Imprest System allows only the replenishment of cash that has been spent so that at the end of each month the petty cash box holds the same amount. So, for example, a museum might decide that N\$1,000 in petty cash is normally sufficient to cover its needs each month. If you start the month with N\$1,000.00 in your petty cash float and spend N\$900.00 of that cash during the month, an amount of N\$900.00 will be then added to your petty cash at the end of the month to bring the balance of your petty cash float back to N\$1,000.00

The Imprest System requires that you accurately document how the petty cash is spent. In a petty cash system, petty cash receipts are written for each amount issued. So, when all of these receipts are added up at the end of the month and deducted from the opening petty cash float, the calculated value must agree with what is left in the petty cash float. Under the imprest system, only that which is recorded as spent is replenished.

Example

- ✓ The type of purchases that can be made from petty cash differ according to the type of organisation. For some museums, things like taxi fare, newspapers for the staff and tea supplies can be purchased from petty cash. For other larger museums, things like small electronic equipment or even office furniture can be purchased from petty cash.
- ✓ Things like make-up or lunch for an individual staff member should not be purchased from petty cash. However, if for example, an executive decision is made to buy lunch for all staff members for a special occasion, these funds can be taken from petty cash. This type of decision however, needs to be made by a senior staff member who has the authority to much financial decisions for the organisation.
- ✓ Each time cash is provided for a payment a petty cash voucher should be completed. An example of the details that should be on a petty cash voucher should include;
 - ❖ The name and signature of the individual taking the money
 - ❖ The purpose for which the cash is being used
 - ❖ The date
 - ❖ The name and signature of a witness
 - ❖ The amount of cash in words and in figures
 - ❖ Any additional information

9. Bookkeeping

• What is book keeping?

Bookkeeping is the systematic recording of the financial aspects of business transactions in the appropriate books of account.

Accounting on the other hand, can be defined as the systematic process of identifying, recording, measuring, classifying, verifying, summarizing, interpreting and communicating financial information.

Accounting reveals the profit or loss that a museum has achieved over a given period, and the value and nature of a firm's assets, liabilities (money owed to creditors) and owners' equity (original investment in the business). In short, the process of bookkeeping is the first step in the process of recording financial transactions and eventually producing financial statements for the museum.

If your museum does not have a qualified accountant, then it is advisable to arrange for the individual responsible for the management of the museum's finances to acquire some knowledge of basic bookkeeping. This would be helpful because with the constant development of new user friendly accounting software, even a person with little bookkeeping training can use accounting software (such as Pastel or Quickbooks) to input each item of income and expenditure and the software will then automatically be able to generate financial statements and reports (saving a great deal of work). Namibian museums can ask MAN for advice on the purchase and use of suitable software.

- **The Responsibilities of the Bookkeeper**

The bookkeeper has the following responsibilities;

- ✓ Recording all financial transactions
- ✓ Filing Source Documents: Source documents are used to record a transaction and are then kept as proof that the transaction was completed. A quotation is not sufficient paperwork as the museum might have agreed to accept a different quotation. Each transaction must include an invoice and a receipt, but different quotations should also be filed for larger purchases to show that the museum considered different suppliers before making their decision. It is essential that documents are filed safely as the Ministry of Finance also requires that the documents are kept for five years. Examples of source documents include: Invoices, quotations, credit notes, receipts, deposit slips, cheque counterfoils, funding agreement contracts, etc.
- ✓ Maintaining Subsidiary Journals: Subsidiary journals are used to group and summarize the transactional information from the source documents of the museum. Museums should, for example, maintain a Petty Cash Journal that summarises the details of any payment made from the Petty Cash Box and also when the Petty Cash Float is replenished (see section 8 for more details).
- ✓ Reconciliation: Once all the source document entries for a month have been captured into a journal, reconciliations are done to ensure that they have been done correctly.

10. The Annual Audit



- **What is an audit?**

An audit is the process during which, at the end of every financial year, an independent body inspects the museum's financial records and accounts. At all times, the museum is expected to have all its financial documents organised in an orderly fashion and records of all its financial transactions. At the end of the financial year the museum's accounts should be audited.

Failure to provide the auditor with reliable documentation could lead to suspicion about the manner in which the museum's funds have been used. This is particularly dangerous when the museum is funded by donors because on completion of the audit, each donor usually asks to be supplied with a copy of the audited financial statements for the last financial year to ensure that the funds donated are being used for the purpose which they were donated for. If you receive a large amount of funding from an external donor than it is sensible to open a 'Project account' at your bank so that the funds can be kept separate from your other funds as this will make it easier for auditors to create a separate 'project audit' for the donor. A project account also provides another safeguard that project money is only used for the intended purposes.

To ensure that the audit is truly independent and not biased, the person or firm who performs the audit may not be actively involved with; or affiliated to the museum or to anyone who works for the museum in any way. In some organisations, the government or donor require that the auditor be formally qualified and registered with the relevant accounting bodies. Museums should strive to have an independent annual audit (and should include this in their budgets for project funding) as it creates confidence in the financial stability and transparency of the museum and increases donor confidence.

The auditor is usually formally appointed at the museum's Board of Directors at the Annual General Meeting. For this reason, the auditor can only be changed by a formal resolution at an official Board of Directors' Meeting. The auditor is usually available during the year to provide support and advice on your financial management system and should suggest ways in which this might be improved. The audit is usually done as soon as possible after the close of the museum's financial year.

- **Preparing for an audit**

When preparing for the annual audit the following documents should be ready:

- ✓ The Museum's Constitution
- ✓ Contracts, agreement, or letters setting out conditions of grants, donations or other income received for specific purposes.
- ✓ Budgets for ongoing or special projects
- ✓ Copies of grant application forms
- ✓ Minutes of board meetings
- ✓ Income and expenditure records
- ✓ Receipt books if receipts for received are issued
- ✓ Petty cash records
- ✓ Supporting documentation for petty cash
- ✓ 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 who owes the organisation 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 those related to staff salaries (such as P.A.Y.E, Social security, pension, etc.)
- ✓ Details of all assets

Whilst it might seem time-consuming to assemble all this paperwork in a box for submission it will reduce delays if you can provide your auditors with complete records. 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 service it has not yet received.
- ✓ Lists of accruals and pre-payments from the end of the previous financial year
- ✓ Vehicle log books
- ✓ Value added tax (VAT) records

- **How to interpret the results of an audit**

When the audit is almost complete, the auditor will list issues that have been fully resolved during the audit. The auditor will ask management to clarify these issues. If unresolved issues cannot be adequately clarified, the auditor will mention them in the audit report. There are various types of audit report. If a museum receives a critical report it will damage its reputation as it shows that there are problems with the Financial Management System and that there may be insufficient information to explain some of the transactions that have taken

At the end of the audit, the auditor usually draws up a set of what are known as the “Audited Financial Statements” based on the information reviewed. They will include a record of the museum’s income and expenditure with adjustments for creditors, debtors, accruals, prepayments and depreciation of equipment or vehicles. They will also show the financial position of the organisation on the final 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 museum. 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 museum’s financial systems and procedures. The auditor’s advice should always be taken seriously. Such advice is usually given in a management letter or a report to management. The audited financial statements must be checked by the Director of the museum and then submitted to the board for approval and signing.

The accounts should not be signed by any person (board member) who does not understand them. If anything is unclear, the auditor should be asked to provide clarification. Alternatively, they may be requested to attend the meeting at which the board discusses the accounts.

The audited financial statements should be tabled at the relevant body. For example, this might be a meeting of the Board or Committee responsible for the museum or the Annual General Meeting of members. The meeting will provide an opportunity for questions and clarifications. The individual in the museum who is accountable for the management of the museum's finances and funding needs to understand and to be able to explain the following;

Audit Review Checklist



- ✓ How do the figures of the income and expenditure compare with the actual expenditure of 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 previous one? Is the organisation in a better or worse position that 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 the previous years?
- ✓ Even though previous year's 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?

There are four types of possible audit reports:

1. Unqualified Opinion: This is an audit report that is issued when an auditor determines that each of the financial records provided by the museum is free of any misrepresentations. In addition, an unqualified opinion indicates that the financial records have been maintained in accordance with the standards known as Generally Accepted Accounting Principles (GAAP). This is the best type of report a business can receive.
2. Qualified Opinion: In situations when a company's financial records have not been maintained in accordance with GAAP but no misrepresentations are identified, an auditor will issue a qualified opinion. The writing of a qualified opinion is extremely similar to that of an unqualified opinion. A qualified opinion, however, will include an additional paragraph that highlights the reason why the audit report is not unqualified and this will indicate to the museum that there are areas for improvement.
3. Adverse Opinion: This is the worst type of financial report that can be issued to a museum. This indicates that the museum's financial records do not conform to GAAP. In addition, the financial records provided by the museum have been grossly misrepresented. Although this may occur by error, it is often an indication of fraud and indicates that the financial operations of the museum should be investigated by the governing body.
4. Disclaimer of Opinion: This is issued when an auditor is unable to complete an accurate audit report. This may occur for a variety of reasons, such as an absence of appropriate financial records. When this happens, the auditor issues a disclaimer of opinion, stating that an opinion of the firm's financial status could not be determined. This is also a serious indictment and would indicate that the financial records of a museum are in total chaos and are failing to account for money being paid in or being paid out to the museum's bank accounts.

11. Museum Staff

Apart from the objects in the museum, the staff are the most important resource that the museum has. The staff who manage the day-to-day activities of the museum heavily influence the perception of the museum that visitors and potential and current investors obtain. It is therefore important that museum staff are well trained, adequately compensated for their work and are motivated to ensure commitment.

- **Employment Contracts**

An employment contract is a legally binding agreement between the museum and the employee which states the duties of the employee, the responsibilities of the museum towards the employee, the length of employment, remuneration and other important

information about the employment of the employee. The contract serves to protect both the employee and the employer (the museum) in the event that there should be a disagreement or conflict.

The employment contract should be signed by both the employee and the employer prior to the commencement of the employee's duties. By signing the contract, both the employer and the employee are stating that they understand and agree to everything stipulated in the contract. A breach of the contract from one of the parties could lead to legal action from the other party if an alternative resolution cannot be reached.

- **Salaries and deductions**



When starting a new museum and setting and paying salaries for your employees, it is important to keep in mind that there are certain mandatory monthly deductions. The two in Namibia are Social Security and Tax ("Pay As You Earn" or P.A.Y.E. for short) which are both calculated according to a person's salary. It is therefore crucial to always have the most recent tax tables which dictate the percentage of an individual's salary which must be deducted as P.A.Y.E. The tables can be obtained from the Ministry of Finance and from most auditing firms and even from the internet. The tables for social security can be obtained from the Social Security Commission and also from the internet. However, when sourcing information from the internet, always ensure that it is from a reliable website. Sometimes you can find 'Ghost Web Sites' which were established years ago, but nobody has updated since.

The deductions from the employee's salary must be paid over to the correct institution. For example, one cannot deduct N\$500.00 from an employee's salary for tax and not pay it over to the Receiver of Revenue. It is important to create an efficient system to make tax payments every month for staff. Delays in payment can lead to fines and the accumulating interest on the outstanding debt which can create a serious debt for a small museum.

▪ **Social Security**

The Social Security Commission provides earnings replacement for employees when they can not earn their salary due to contingencies resulting in maternity leave, sick leave and death and work related disabilities, injuries and loss of employment. When an individual starts work at your museum, you need to register them immediately with the Social Security Commission as an employee at your museum and if they leave, you are required to deregister them. There are forms to be completed for both processes that are available from the Social Security Commission and from their official website <http://www.ssc.org.na/>.

The contribution for social security is 1.8% of the individual's salary which is paid equally by the museum who is the employer, and by the employee (as a deduction from their salary). This means 0.9% from the employer and 0.9% from the employee.

- ✓ For example; for an employee earning N\$7,000.00 per month, the contribution to SSC would be N\$126.00. This is worked out by saying: N\$7,000.00 X 1.8%. That amount is then divided and contributed equally by the employee and employers (i.e. N\$63 by the employee and N\$63 by the employer).








However there is a **maximum** contribution per employee. The maximum SSC payment is currently N\$162.00 (i.e. N\$81 for employee and N\$81 for employer) for all members earning above N\$9,000 per month. This means that for salaries up to N\$8999.99 per month, the contribution to the SSC is 1.8% of their salary. For a salary from N\$9,000.00 per month and above, there is a fixed contribution of N\$162.00 per month.

▪ **Income Tax (P.A.Y.E)**

All employees in Namibia have to be registered as tax payers if they earn more than a certain amount of money each year. That amount is determined by the tax tables distributed by the Ministry of Finance. Every museum in Namibia should have a copy of the latest tax tables. Below is a summary of the current tax table for individuals (the full table gives the exact amount due based on the monthly salary of each employee);

Individual Income Tax

Taxable Income N\$ Rates of tax from years of assessment ending 28 February 2015 (N\$)

-  0 - 50 000 Not taxable
-  50 001 - 100 000 18% for each N\$ above 50 001
-  100 001 - 300 000 9 000 + 25% for each N\$ above 100 001
-  300 001 - 500 000 59 000 + 28% for each N\$ above 300 001
-  500 001 - 799 999 115 000 + 30% for each N\$ above 500 001
-  800 000 - 1 500 001 205 000 + 32% for each N\$ above 800 000
-  Above 1 500 001 429 000 + 37% for each N\$ above 1 500 001

12 A Model Financial Policy

A Financial Policy is a document that provides the financial guidelines for your museum. Financial guidelines explain the ways in which all financial activities are to be conducted by the staff. These guidelines are usually developed by an independent consultant, advisory committee or executive committee. It is then the responsibility of the Executive Director or whomever is responsible for the management of the museum's finances to ensure that these guidelines are implemented and adhered to. It is crucial that this happens because adherence to the financial policy of a museum has a great effect on the outcome of the audit.

The financial policy will outline the methods and procedures used by the museum to;

- ✓ Safeguard the museum's assets
- ✓ Ensure that all financial transactions are authorized by the correct individuals
- ✓ Monitor all the income and expenditure of the museum
- ✓ Ensure the accuracy and validity of accounting records.

In a good financial policy, no one person is given responsibility for more than one related function. For example, the person responsible for purchasing an item should not also be responsible for approving the purchase request. This principle is called the "segregation of duties".

The financial policy will include internal accounting control procedures for the museum that will ensure that;

- ✓ Financial information is reliable: Managers and the board of directors must rely on the accuracy of information to make both long and short-term decisions for the museum
- ✓ Assets and records of the museum are not stolen, misused or accidentally destroyed
- ✓ The museum's policies are followed
- ✓ Government regulations and national laws are complied with

Examples of internal accounting control procedures include;

- Having the bank statement and cash book reconciled by someone who does not process receipts or record the amounts in the general ledger cash account
- Having a designated member of the museum board approve all purchase orders or those above a certain value.
- Having a designated member of the museum board countersign all cheques and/or cash withdrawals over a set amount.
- Having all credit memos from suppliers/customers reviewed and approved by a designated member of the museum board.

Such controls not only help to prevent fraud and corruption but also ensure that the Board are aware of project progress and when major items of expenditure take place.

The importance of controls

The use of accounting software has eliminated some of the tedious tasks previously associated with bookkeeping. This could result in fewer people handling more tasks which has the potential for concealing dishonest activity. For example: If the person who processes the petty cash book is the same person who keeps the cash, they can misrepresent the amount of cash actually in the petty cash box. A financial system might, therefore, provide for a system where another individual regularly checks and reconciles the Petty Cash Book with the money in the Petty Cash Box.

It would be advisable, if the museum does not have a qualified accountant or finance officer, to get a consultant to assist you with drawing up a financial policy.

Below is a sample of a simple financial policy (MAN can provide you with a soft copy of this model Finance Policy if you would like to adapt it for your museum)

Financial Policy for the Namibian Music Museum	
Introduction	
This policy has been prepared to document the internal accounting procedures of the Namibian Music Museum (NMM). Its purpose is to ensure that NMM's assets are safeguarded, that financial statements are in accordance with generally accepted accounting principles, and that finances are managed with responsibility. All personnel with a role in the management of NMMs financial operations are expected to adhere to the policies in this manual. It is the intention of the Namibia Heritage Museum that this accounting policy serves as our commitment to proper, accurate financial management and reporting.	
Financial Management	
As stated in Articles 9.1 and 9.2 of the constitution of the NMM the responsibility for the transparent and efficient management of any funds and assets provided to the NMM rests with Executive Committee. The relevant sections of the constitution read as follows:	
Authority	
All property and funds of the museum shall vest in the Executive Committee, which shall hold such property and funds on behalf of the members for the duration of the museum.	
The Executive Committee shall have the power to;	
- buy, sell or hire, exchange, transfer receive by way of donation or otherwise movable property, including debentures, stocks, and shares, and to invest the funds in Government or other stocks, mortgage bonds, or on fixed deposit or otherwise in Banks, Building Societies or like organisations or in any other recognised deposit receiving institution,	
Division of Duties	
The following is a list of personnel who have responsibilities with managing the museum's accounts:	

The Finance Officer: will be responsible for the submission of budgets and requests for financial assistance to potential donors. The Finance Officer will present a written financial report to the Annual General Meeting of the Museums which will be held during July each year. A provisional budget for the next financial year will be drawn up by the Finance Officer on the basis of the priorities set by NMM's Advisory Committee at the NMM's Annual Planning Workshop. The provisional budget will be circulated to all members of the Executive Committee for comment, revision and adoption. The approved budget will serve as a fund-raising tool.

External Auditors: The accounts of the Namibia Heritage Museum will be audited annually by the organisation's External auditors who will be elected annually by a resolution voted on at the Annual General Meeting.

Cash Receipts Procedures: The Administrative Officer receives all incoming mail. All payments received by Administrative Officer should be recorded on a cash receipts log which states the budget line to which the income is attributed. The Office Administrator then makes two copies of the payment receipt or cheque. One copy will be forwarded to the Finance Officer and the other copy filed in the relevant project or administrative file. Next, the Finance Officer will prepare a deposit slip and deposit the funds into the savings account.

All income should be deposited into the savings account. The validated deposit slip should then be filed in the Finance File and copied to the relevant project or administrative file. All cheque copies should be filed according to the month that they were received. A deposit not forwarded or mailed to the bank should be locked in a safe place, a cabinet or a box with a key. No deposit should be locked in the file cabinet for more than a week from the time it has been logged in. The funds should always have a complete reference indicating the type of 'income' it is.

Payment Procedures

- Payments should be prepared by the Finance Officer for signature by authorized officials for expenses, debts and liabilities.
- The Finance Officer is responsible for the preparation of payments. All disbursements are to be made by EFT/Cheque unless the item is considered a petty cash item or a cash requisition form has been approved by the authorised official(s).
- Incoming invoices will be logged in by the Office Administrator *[name the staff person responsible for ordering the product or service]* and delivered to the responsible staff person for his/her approval and to prepare a cheque requisition form before the due payment date.
- The staff member responsible for ordering the product or service will check the validity of the invoice against earlier quotations and the work/service accomplished/delivered and prepare a cheque requisition form before the payment is made. Unless a special motivation is provided payment for goods/services over N\$XXXX in value will be made in two instalments with the first instalment being a deposit of no more than 50% of the total value of the transaction.

- In the case of payments from the petty cash a petty cash form should then be completed by the purchasing staff member and attached to the original invoice/receipt, and/or any other supporting documentation. The form should include the budget line according to the budget for that financial year to which the expense will be debited.
- After inputting all the payment requests, the Finance Officer will prepare a master list of all payments to be paid. If there are any questions or concerns about the amounts, the Finance Officer should provide necessary information prior to any payments. If there are any items removed from the batch, the totals on the payment summary form should be corrected, initialled and dated by the Manager.
- Once the amount to be disbursed has been approved, the Finance Officer will set up online payments or prepare cheques. A payment requisition form should be prepared for each payment by the Finance Officer. The proof of payment should be attached to the invoice, and other supporting documentation, and submitted for signatures. Payments up to N\$10 000.00 and regular salaries should be approved by the Manager and Curator. Payments over N\$10 000.00 or any bonuses or overtime payments to staff must have additional approval from the chairperson *[Note: N\$10,000 is an example. Individual museums may alter the amount to suit their individual circumstances]*
- After the cheques have been signed or electronic transfer set up, the second signatory will double check the work, cancel the invoice by stamping PAID on it in red ink, and pass the paperwork on to the Administrative Officer for filing.
- Once monthly, the Finance Officer will check the invoice book/log to determine if there are any outstanding invoices which have not yet been paid. If so, the Finance Officer will investigate the non-payment of these invoices with the responsible staff member.
- Purchases of items of a value of up to N\$2,000 may be made by staff members if they conform to the approved budget. Purchases should be made from petty cash. In cases where staff use their own money to make purchases they may be refunded if the Finance Officer is provided with the relevant receipts, although this practice should be avoided as far as possible.
- Three quotations must be obtained for any individual purchase of over N\$5,000.00 and a written submission made by the Manager to the Curator motivating the preferred purchase. For any individual purchase over N\$10,000 a written submission must be made by curator motivating the preferred purchase for approval by the Chairperson *[or designated member of the governing body]*.
- In cases where only one service provider is available for the services required, a motivation must be submitted to validate the use of said service provider.

Petty Cash Fund

- The petty cash fund should never exceed N\$2 000.00 *[Each museum should decide the appropriate amount for its petty cash float]*

- The Finance Officer is responsible for the petty cash fund.
- A single disbursement from petty cash shall never exceed N\$ 500.00.
- The petty cash fund shall be operated on an imprest basis. This means that when it is time to replenish the petty cash fund, the Finance Officer shall total the expenses made and identify those expenses by the general ledger account number (budget line). When the payment request is submitted for payment it should indicate the total amount needed to bring the fund back up to N\$ 2000.00. Payment requests should break down the various expense accounts being charged and the amount charged to each.
- When a request for petty cash reimbursement is made to the Finance Officer, the item will be listed on the Petty Cash Fund Reconciliation Sheet. A description of the item charged should be recorded together with the amount. A receipt must be received by the Finance Officer for the amount of the request in order for the request to be approved/accepted
- The recipient of money from the petty cash fund must sign the sheet to indicate their receipt of the funds. The paid receipt should be attached to the sheet. All paid information should remain in the locked petty cash box until it is time to replenish the fund. When the fund is replenished all the relevant paperwork should be attached to the form showing the amount being replenished and filed.
- The petty cash box is to be locked at all times when the Finance Officer is not disbursing or replenishing the fund. The locked petty cash box is to be kept in the locked file cabinets within the finance office.

Fixed Asset Management

- A permanent property logbook or database is to be maintained by the Finance Officer for all fixed assets purchased by the *[Add name of museum]*.
- The log should contain the following information:
 1. Date of purchase
 2. Description of item purchased
 3. Received by donation or purchased
 4. Cost or fair market value on the date receipt
 5. Donor or funding source, if applicable
 6. Funding source restrictions on use or disposition
 7. Identification/serial number (if appropriate)
 8. Depreciation period
 9. Supplier name and address
 10. Warranty period

11. Inventory tag number (all fixed assets should be tagged with a unique (identifying number)

12. Number of the EFT/cheque used to pay for the equipment

- At least once a year, a physical inspection and inventory should be taken of all fixed assets and reconciled to the general ledger balances. The list should be amended to reflect any assets that are no longer held by the museum.

- The Finance Officer should be informed, in writing, via an interoffice memorandum of any material changes in the status of property and equipment. This should include changes in location, sale of, theft, loss, damage or scrapping (due to obsolescence) of items and any purchase or sale of real estate or new goods and equipment.

- All capital items which have a cost greater than N\$1 000.00 will be capitalized and depreciated.

Payroll

1. Personnel

- The Human resource Officer is charged with the responsibility of maintaining personnel files on staff persons. Each personnel file should contain, at least, the following information:

Employment application and CV

Date of employment

Position, pay rates and changes therein

Authorization of payroll deductions

All personnel records are to be kept locked in a locking file cabinet in the MAN Office

2. Payroll Preparation

The payroll will be maintained by the Finance Officer who will be responsible for issuing monthly pay slips that include benefits and deductions.

3. Year-End Report/Audit:

At the end of the financial year and in time for the Annual General Meeting, a year end Audit report should be prepared summarizing the total income and expense activity for the year.

4. Grant Compliance

- When a new grant is received or renewed, a copy of the Funding Agreement must be forwarded to the Finance Officer.

- The Finance Officer should set up a permanent file for the grant and maintain the contract along with any other financial correspondence regarding the grant.

- It is the responsibility of the Finance Officer to review the grant contract and extract any particular conditions regarding financial reporting which must be complied with by the Namibian Music Museum
- It is a policy of the Namibian Music Museum to adhere to any restrictions imposed by its funders, both governmental and private. Therefore, NMM employees are expected to bring to the attention of management, any instances of non-compliance.

13 Sample forms

- Sample Petty Cash Voucher

Namibia Heritage Museum Petty Cash Voucher		
Date:	____/____/____	
Amount:	In figures: N\$ _____.____	In words: _____ _____
Purpose:	_____ _____ _____	
Requested by:	Name: _____ Portfolio: _____	Signature:
Approved by:	Name: _____ Portfolio: _____	Signature:
Additional info:	_____ _____ _____	

- Sample Purchase Requisition form

Namibia Heritage Museum	
Purchase Requisition form	
DATE	
PAYABLE TO	
ADDRESS	
BANK DETAILS	
AMOUNT	
BUDGET LINE	
PURPOSE OF PAYMENT: (please attach budget and indicate what balance is left in the relevant budget line. If payment is being made in two instalments indicate whether this is the first or second instalment)	
Paperwork Approved by: _____ <div style="display: flex; justify-content: space-around; width: 100%;"> Name Signature </div>	
Payment Approved by: _____ <div style="display: flex; justify-content: space-around; width: 100%;"> Name Signature </div>	
Cheque/EFT Number: _____ Cheque/EFT Date: _____	
Original itemized invoice(s)/ receipts must be attached to the back of this form prior to Payment being released.	

- Sample Leave form

Namibia Heritage Museum					
Leave Application Form					
Part 1 (Employee)					
Name of employee					
Position					
Dates of requested leave period			From	till	
No. of working days requested for					
Type of leave requested (Please tick one)					
Annual Leave	<input type="checkbox"/>	Special Leave	<input type="checkbox"/>	Compassionate Leave	<input type="checkbox"/>
Study Leave	<input type="checkbox"/>	Leave Without Pay	<input type="checkbox"/>	Sick leave	<input type="checkbox"/>
<div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div>_____</div> <div>_____</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Employee signature</div> <div>Date</div> </div>					
Part 2 (Human Resource Officer)					
Leave has been discussed with employee and suits within the work planning.					
The following details have been confirmed from employer records and the following days are his/her leave entitlement:					
Leave days available					
Leave days requested					
Balance					
<div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div>_____</div> <div>_____</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Signature of Human Resource & Admin Officer</div> <div>Date</div> </div>					
PART 3 (Immediate supervisor)					
Leave is: Approved <input type="checkbox"/> Not approved <input type="checkbox"/>					
<div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div>_____</div> <div>_____</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Signature</div> <div>Date</div> </div>					

- Sample Budget

Income (N\$) 2014	
Item	Expected N\$
Sales of souvenirs	5,000.00
Guided tours	10,000.00
Printing	500.00
Book sales	2,300.00
Photographs	200.00
Total Income	18,000.00
Expenses (N\$) 2014	
Item	Expected N\$
Rent	5,000.00
Water	100.00
Electricity	500.00
Telephone	300.00
Advertising	100.00
Salaries	5,000.00
Cleaning Material	400.00
Toilet paper	100.00
Stationary	1,500.00
Transport	500.00
Petty Cash	1,000.00
Total Expenses	14,500.00
Balance (Profit/Loss)	3,500.00

- Sample Asset register

Namibia Heritage Museum						
Fixed Asset Register 2015						
Asset	Qty.	Serial number or Description	Date of purchase	Value at date of purchase N\$	Annual depreciation N\$	Current value N\$
Display Cabinet	1	Brown	01.07.2014	3,500.00	100.00	3,400.00
Office desk	2	Mahogany	17.03.2012	6,000.00	900.00	5,100.00
Canon 3 in 1 Printer	1	CNP145/22	09.08.2013	1,500.00	400.00	1,100.00
HP Laptop	1	HPL112/56	06.11.2013	5,500.00	500.00	5,000.00
Dell Laptop	1	DLL4586/896	03.04.2014	4,500.00	150.00	4,350.00
Dell Laptop	1	DLL89653/633	03.04.2014	4,500.00	150.00	4,350.00
Total Value at year end				25,500.00	2,200.00	23,300.00

- **Museum Checklist**

How Good is Your Financial Management System?

We would like to suggest that you use the following questionnaire to review the way your museum handles its finances. The questions will help you identify if you have any weaknesses in your current system.

1. Is your museum legally registered as an NGO with the Ministry of Trade and Industry or, if you resort under a Local Authority or Ministry do you have a constitution that clearly indicates who has the authority to make financial decisions? **Yes** ____ **No** ____
2. Does your museum have its own bank account? **Yes** ____ **No** ____
3. Do you have at least two authorized signatories and are two signatories needed before any payment can be made? **Yes** ____ **No** ____
4. Is your museum able to make use of a qualified accountant? **Yes** ____ **No** ____ Who keeps your books? _____
5. Does your museum have a Finance Policy giving guidelines on financial management at the museum? **Yes** ____ **No** ____
6. Do you do a bank reconciliation for your museum's account on a monthly basis? **Yes** ____ **No** ____
7. Is cash at the museum kept safely in a locked cashbox in the custody of one individual? **Yes** ____ **No** ____
8. Do you have separate cash boxes for sales and for petty cash? **Yes** ____ **No** ____
9. Do you have a Petty Cash Book/File? **Yes** ____ **No** ____
10. Do you have a system for drafting an Annual Budget and adopting it more than six months before the start of the next financial year? **Yes** ____ **No** ____
11. Do you produce a short report showing where you under or over-budgeted on different budget lines? **Yes** ____ **No** ____
12. Do you use previous financial statements to help you draft your budget? **Yes** ____ **No** ____
13. Does your museum share financial information with donors/beneficiaries? **Yes** ____ **No** ____
14. Do you have an authorization form that has to be completed before any payment is made? **Yes** ____ **No** ____
15. Do you have guidelines stating that different levels of authorization are required for larger payments? **Yes** ____ **No** ____
16. Do you have a Fixed Asset Register? **Yes** ____ **No** ____
17. Are all your fixed assets fully insured? **Yes** ____ **No** ____
18. Are all signed grant agreements filed and kept in a safe place? **Yes** ____ **No** ____
19. Did you send any donors financial reports during the last financial year? **Yes** ____ **No** ____
20. If so, were they sent within the required period and in the required reporting format? **Yes** ____ **No** ____
21. Were statutory deductions (Social Security etc.) always made correctly and submitted on time during the last financial year? **Yes** ____ **No** ____
22. Do you keep separate files for payables (money you owe) and receivables (money you are owed)? **Yes** ____ **No** ____
23. Does your Committee/Board include someone with the necessary skills to provide oversight on the financial activities of the museum? **Yes** ____ **No** ____

13 Notes

[illegible]



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