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 **Finance Handbook Part Two:**

**TEMPLATE FINANCIAL HANDBOOK**

FINANCIAL HANDBOOK

# [*Insert Name of NPO*]

# Version:

# Date Adopted:

# Review Date:

# General Principles

# The stated objectives of *[Name of NPO]* are *[insert objectives here].* All activities, resources and finances are dedicated to these goals.

# [*Name of NPO*] expects the highest standards of integrity and professionalism from all those associated with it. This Handbook exists to help management, staff and volunteers achieve those standards.

# Budgets

# Corporate Budgets

# The NPO shall produce a Corporate Budget in [*insert month*] of each year.

# The Budget will be based upon the blank template budget in Annex 1.

# The Budget shall be discussed and agreed by [*insert positions of official(s) who will be responsible for agreeing the budget*]

# Budgets should be update and presented to [*insert positions of official(s) who will be responsible for agreeing the budget*] every [*insert time period: usually either one or three months].*

# Variances in excess of 10% on any budget line should be highlighted and approved by [*insert positions of official(s) who will be responsible for agreeing the budget*].

# Project Budgets

# The NPO shall produce a Project Budget for each budget in excess of *[set minimum threshold]*.

# All externally funded projects shall have a project budget.

# The Budget will be based upon the blank template budget in Annex 2.

# The Budget shall be discussed and agreed by *[insert positions of official(s) who will be responsible for agreeing the budget]*

# Budgets should be update and presented to *[insert positions of official(s) who will be responsible for agreeing the budget]* every *[insert time period: usually either one or three months]*.

# Variances in excess of 10% on any budget line should be highlighted and approved by *[insert positions of official(s) who will be responsible for agreeing the budget]*.

# Financial Rules and Regulations

# Procurement

# The NPO will acquire three (3) quotations for all proposed purchases that are over *[insert minimum threshold]*.

# This threshold shall be set by *[insert positions of official(s) who will be responsible setting the threshold].*

# The NPO will acquire three (3) quotations for all proposed yearly service contracts.

# Any procurement in excess of [insert minimum threshold] must be approved by *[insert positions of senior official(s) who can approve large purchases].*

# Any procurement in excess of will be *[insert minimum threshold]* will be put to public tender.

# The NPO will acquire three (3) quotations for all service contracts.

# The NPO will submit any purchases or contracts greater than *[insert minimum threshold]* in value to a public tender.

# Payments

# Wherever possible, payments in excess of *[set minimum threshold]* should be made by bank cheque or online bank transfer.

# All cheques must be signed or transfers approved by two signatories.

# Officials current authorised to sign cheques or approve online bank transfers are:

1: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

# Cheque should be signed or transfers approved only when all back-up documents have been attached like quotations, invoices, delivery receipts etc.

# Bank reconciliation

# Bank accounts for the previous month shall be reconciled at the beginning of every new month.

# All the entries on the bank statement shall be checked against back-up documentation recording income and expenditure (e.g. receipts, cheque stubs, cash logs etc)

# Reconciliations shall be done by *[insert positions of official]*.

# Any problems should be reported to *[insert positions of official]*.

# Externally funded projects

# Project funds are restricted incomes that have been provided to accomplish particular goals. Under no circumstances should they be used for any purposed other than the purposes agreed with the funder and stated in the contract or other official documents.

# The project manager shall inform the leadership immediately if it becomes clear that a project cannot be satisfactorily completed. The project manager, under direction from the leadership, shall discuss the issue with the funder and offer to return any outstanding project funds as appropriate.

# Details of project expenditures shall be kept separate within the budgets, books and accounts to allow management to easily identify how much has spent and what amount of funds are remaining for outstanding project activities.

# It is the responsibility of the designated project manager to ensure that all project targets are met. Any targets that are likely to be missed should be highlighted and reported to the leadership.

# It is the responsibility of the designated project manager to ensure that all project reports for donors are produced as required by the contract.

# Assets

# All moveable physical assets worth in excess of *[set minimum threshold]* shall be marked with an NPO specific label.

# These assets should also be entered in an Asset Register which mentions the geographical location of assets.

# The asset register should be updated if the asset is transferred to the project site or other program facilities.

#

# Financial Information for Management

# Financial Information

# The NPO shall produce a monthly Financial Information for Management report on *[insert date]* of each month.

# The NPO may utilise the blank template in the Finance Handbook Part 3: Annex 6.1

# The NPO will use the Corporate Budget, Project Budgets and NPO Ledgers to complete the monthly Financial Information for Management template.

# The NPO should complete the monthly Financial Information for Management report no later than the *[insert date]* of each month.

#  *[insert positions of official(s)]* will be responsible for preparing the Financial Information report on a monthly basis.

# *[insert positions of official(s)]* will be responsible for presenting the report on *[insert date]* of the month to *[insert positions of official(s) who will be responsible for reviewing the information on the report]*.

# *[insert positions of official(s) who will be responsible for reviewing the information on the report]* will review the reports and based on the information presented and the impact this could have on the financial situation of the NPO will make strategic decisions, if required, to remedy the situation.

# Reserves Policy

# Management Statement

# The original Reserves Policy was agreed in *[insert year].*

# The Reserves Policy states that the NPO retain a particular sum of funds for the purpose of ensuring that the NPO has sufficient resources to meet possible contingency situations and to allow for response to new situations and opportunities.

# The last time the Reserves Policy was updated was in *[insert year].*

# This Policy will next be reviewed by *[insert positions of official(s) who will be responsible for reviewing the policy*] by *[insert time period]*.

# Current Position

# Current reserves held are *[state the amount held currently]*.

# These reserves are held as [*cash, bank savings scheme, bonds, shares etc.*].

# The NPO utilised *[insert amount in Rs]* from its reserves during the last twelve months.

# [*insert positions of official(s)]* is responsible for recording transactions associated with reserves in the books of accounts at the end of the financial year.

# Reserves Target for next 12 months

# Within the next year, the target for free reserves *is [state the reserves target as a sum of money (e.g. Rs25,000) and/or a proportion of expenditure or income (e.g. six months expenditure)]*.

# This target will be achieved by *[state how the target figure will be achieved: i.e., from Management Fees; increased donations etc]*.

# Use of Reserves

# Free reserves can be used for *[specify circumstances in which reserves can be spent, e.g. to meet funding shortfall]*.

# Any expenditure of reserves must be approved by *[insert name of body or officials that agreed this]*.

# Any spent reserves should be replaced as soon as possible. If more than 25% of reserves are spent, this policy should be reviewed.

# Reporting of Reserves

# A summary of this policy, the reserves target and the level of free reserves currently held shall be stated in the NPO Annual Report.

#  Annual Reports, Accounts and Audits

# Accounting and Management Statement

# The NPO shall produce a yearly Annual Report and Accounts in *[insert month]* of each year.

#  *[insert positions of official(s)]* will be responsible for coordinating the preparation of the narrative section.

# *[insert positions of official(s)]* will be responsible for coordinating the preparation of the financial section.

# *[insert positions of official(s)]* will host an internal meeting to appoint an external Audit firm in *[insert month]* of each year.

# *[insert positions of official(s)]* will be responsible for liaising with the external Auditors.

# *[insert positions of official(s)]* will be responsible for presenting the combined draft Annual Report and Accounts in*[insert month]* to *[insert positions of official(s) who will be responsible for reviewing the information on the report]*.

# *[insert positions of official(s)]* will sign the final Annual Report and Accounts.

# *[insert positions of official(s)]* will be responsible to file the Annual Report and Accounts with Government entities in *[insert month]* of each year.

# *[insert positions of official(s)]* will be responsible to keep the original audited accounts and its backups in a safe and dry place.

# Audits

# The NPO shall employ the services of an Audit firm, or Licensed individual, to carry out an Audit, every year.

# *[insert positions of official(s)]* will be responsible for seeking quotations for an Audit and presenting these to *[insert positions of official(s) who will be responsible for reviewing these quotations and seeking final approval from the Board]*.

# *[insert positions of official(s)]* will host an internal meeting to appoint an external Audit firm, or individual, by *[insert month]* of each year.

# *[insert positions of official(s)]* will be responsible for liaising with the Auditors.

# *[insert positions of official(s)]* will be responsible to coordinate, internally within the NPO, all matters of the Audit.

# *[insert positions of official(s)]* will be responsible for presenting the combined draft of the Annual Report and Audited Accounts by *[insert month]* to *[insert positions of official(s) who will be responsible for reviewing the information on the report]*.

# *[insert positions of official(s)]* will sign the final Annual Report and Audited Accounts.

# [*[insert positions of official(s)]* will be responsible to file the Annual Report and Audited Accounts with Government entities in *[insert month]* of each year.

# *[insert positions of official(s)]* will be responsible to keep the original Audited Accounts and its backups in a safe and dry place.