

New Horizons Wood & Steel
CO-OPERATIVE LIMITED

Proposed Financial
Policies & Procedures

Purpose

This document outlines the proposed policies and procedures for the financial operation of the New Horizons Wood and Steel Co-operative. It also seeks to establish the following:

1. A clear set of rules and procedures to ensure a proper financial management system with regards to:

1.1 Role of Treasurer (this model is based on a separate bookkeeper)

- Oversee the functions of the bookkeeper/s.
- Make sure that the bookkeeper/s are recording all transactions (money coming in and out of bank accounts).
- Responsible for authorizing all requisitions (purchases and cheque requisition).
- The treasurer is responsible for ensuring that strategic decisions made by the board are implemented.
- Convenes the finance sub-committee.
- The treasurer will work on fundraising, donations grants for the co-operative & monitor performance of the co-operatives developmental projects & make sure the co-operative is spending according to the approved budget.

1.2 Role of The Board

- Responsible for opening of Bank accounts with the financial institutions.
- Responsible for the investment of funds in financial institutions.
- Make and accept donations.
- Receive and inspect monthly financial reports from the treasurer (oversee financial management of co-op).
- Monitor and ensure financial compliance with financial and procedures manual.
- Approve budget proposals from treasurer & finance Sub-committee including control of loans and overdrafts in accordance with legal statute.

1.3 Role of Finance Sub-committee

- Meet weekly to discuss financial challenges & performance of the co-operative
- Devise solutions to financial problems of the co-operative and recommend to the board
- Assist the treasurer to ensure implementation of financial decisions, policies and procedures
- Encourage coop members to pay their fees in accordance with the legal statute
- Work with financial manager (if employed) in providing regular financial information to co-operative members

1.4 Rules of Payment

- Invoices for goods and services received from suppliers to be processed daily.
- Invoices to be reconciled against supplier statements prior to payment being made to avoid duplication.
- The treasurer will pay expenses incurred for the economic operations of the co-operative.
- Beneficiaries to be paid in accordance with the wages policy.
- The treasurer will pay training costs incurred from the surplus allocation set aside for training.
- A person who attended training will receive no remuneration.

1.5 Rules for Receipt

- There will be a receipt book for each production unit.
- Each unit should have a cash register.
- Every item sold will have a receipt issued.
- The treasurer will reconcile monies received with the receipt books on a daily basis.

1.6 Subsistence Allowance

- Requests for subsistence allowance must be submitted in writing to the treasurer indicating what the allowance is for, including the costs.
- The treasurer will have the authority to approve subsistence allowances less than R500.
- The treasurer must report all authorizations made and recommendations for larger amounts in the financial reports to the board.

1.7 Financial Statements

- Monthly financial statements will be prepared by the accountant and presented to the board.
- Monthly financial statements will be presented by the treasurer to the general membership in a general meeting.
- Annual financial statements shall be presented to the finance committee, the board and the general membership.
- Annual financial statements shall be prepared by the bookkeeper under the supervision of the treasurer.
- Annual financial statements shall be presented to the finance sub-committee and then to the board.
- After the annual financial statement is approved by the board, the treasurer, on behalf of the board, will present the financial statement at the AGM.
- Monthly bank statements will be issued to the board.

1.8 Rules for Remuneration

- The board shall be remunerated in accordance with the provisions in the statute.
- The board's remuneration shall be paid at the same time as that of the general membership.
- The finance sub-committee and treasurer to oversee the remuneration.

1.9 Bank Account

- The board shall be responsible for opening the bank account with financial institutions registered under the banks act in the name of the co-operative.
- All cheques drawn in the name of the co-operative will be signed by the legally required amount of signatories (i.e treasurer and secretary) and the account will be linked to center manager's cell phone to verify deposits and withdrawals.
- A deposit book will be kept for all deposits.
- The treasurer will be responsible for making deposits in the presence of any other member.
- All monies generated will be deposited in the co-operative account on a daily basis (including all surplus monies).

1.11 Surplus

- The bookkeeper shall ensure that the surplus is assigned according to the surplus policy within the financial statements for reinvestment and co-op upgrading.
- The board shall make recommendations to the AGM of how reinvested surplus shall be utilized and invested.
- The board shall make recommendations to the AGM on how the surplus allocated for community development shall be utilized.

1.12 Petty Cash

- The treasurer will be authorized to allocate a monthly petty cash of R1000.
- A petty cash voucher will accompany all petty cash payments issued.
- The bookkeeper shall be given all receipts related to petty cash.
- Unspent petty cash shall be carried over to the following month and shall be topped up to maintain the R1000 limit.
- The treasurer shall report on petty cash expenditures to the board.

1.13 Asset Records

- An asset register shall be kept by the board to record and maintain new assets (e.g. furniture and fittings, equipment, etc.).
- New equipment to be added to the asset register by the board.
- Assets shall be checked monthly.
- Asset records must be kept in the office.

1.14 Audit

- The co-operative shall appoint an independent auditor.
- The audit will be done annually.
- Audited statements shall be presented to the board and AGM.

2.Literacy on financial concepts (Definition of Key Terms)

- Cash Flow : funds available to run the co-operative
- Budgets : funds that have been approved to meet expenses
- Assets : furniture and equipment (e.g. desks,chairs)
equipment (e.g. welding machine)
- Petty Cash : money used to meet day-to-day expenses for running the office (e.g. posting letters, buying tea, coffee, sugar, etc.); separate from money in the bank.
- Liability : usually measured against assets, loans
- Credit : to purchase an item or commodity and pay at a later date
- Requisition : form to complete in order to seek authority to effect payment for goods or services received (this is to keep proper records of monies spent by the co-operative)
- Debts : money owed (if liabilities exceed assets then you are in debt)
- Insolvency: cannot pay back money owed or meet operational cost
- Garnishee : summons to court for non payment
- Reimbursements: expenses accrued by staff on behalf of the co-op that must be paid for
- Audit : auditor takes stock of the financial transactions and ensures that there is no irregularities in the financial management of the co-operative
- Capital : money required for start up and running costs of the Co-operative
- Capital Needs : amount of resources for start up (e.g. computer, desks)
- Working Capital : money to cover fixed and variable costs
- Cash Slips : voucher issued in respect of receipt of payment
- Invoices : proof of purchase
- Delivery note : proof of delivery (goods or services received)
- Cash register : to record a sale and issue a receipt
- Profit : difference between cost and selling price
- GRN : (Goods Received Note) Proof of goods or services received
- Mark-up : percentage mark-up on cost of goods
- Breakeven : no loss or profit made on sale of goods
- Remuneration : payment made to the board in lieu of services rendered

Financial Statements

- Balance Sheet : shows assets and liabilities of the co-operative (how much the co-op is worth)
- Income Statement : compares income to expenses. Shows profit or loss
- Refund : money or goods returned
- Allowance : money allocated for task or extra service (e.g. travel)

- Subsistence Allowance : reimbursement of costs accrued by members (e.g. travel costs for conferences)
- Cheque : a form of paper payment(banks debit and credit accounts from cheque payments)
- Savings account : money is saved and accrues interest
- Cheque account : can write cheques against account
- Service Charges : fee charged by banks for transactions
- Deposit Book : record of deposits and withdrawals from cheque account

- Suspense Account : transactions that do not have proper account allocation
- Bank Statement : reflects financial activities in cheque account(money in and out)
- Record Keeping : detailed records of all transactions
- Bookkeeping : daily records of financial transactions
- Financial Management : the system on how to manage finances
- Tax : divided into three categories PAYE,UIF and SDL
- Insurance : protection against loss or damage
- Disbursements : money paid out for incurring an expense