



FINANCIAL REPORTING AND DOCUMENTATION



What is Accounting?

Accounting is the process of recording, organizing, and summarizing financial information accurately to help people understand and manage funds within an organization.



Financial Reporting

Financial reporting involves presenting a clear summary of how an organization is performing financially by showing its income, expenses, assets, and liabilities in a structured and transparent way.

Note: Reliable accounting is the foundation for effective financial management and reporting.





Objectives of Accurate Accounting

1. To provide a true and fair view of the organizations or project's revenue/grants, expenses, assets, and liabilities.
2. To ensure reliable data is available for accurate financial reporting.

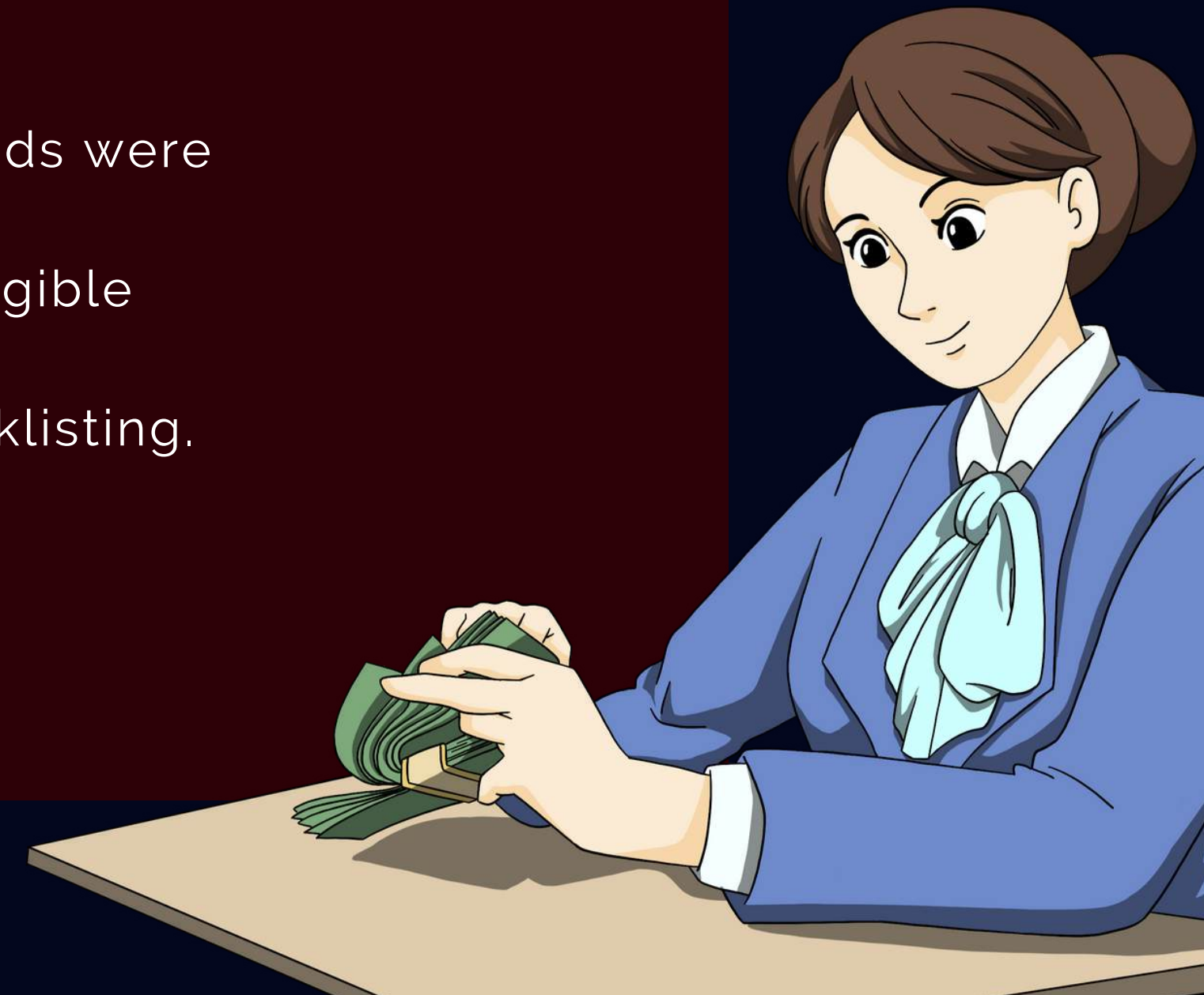
To Achieve These Objectives



1. Keep financial records up to date.
2. Ensure all entries are accurate and reliable.
3. Follow established accounting standards, methods, procedures, and the specific financial rules of both the organization and donors.
4. Safeguard all accounting documents, regularly back up financial data, and update records frequently

Consequences of Inaccurate Accounting and Poor Documentation

1. **Errors in financial records:** Financial statements and reports are based on accounting entries; inaccuracies can lead to:
 - Misuse or misplacement of funds.
 - Inability to justify expenses to donors or partners even if funds were properly used.
 - Donors or partners requesting a refund of unjustified or ineligible expenses.
 - Difficulty in securing future funding, which may lead to blacklisting.
 - Increased risk of negative findings in audit reports.
2. **Delays in funding or blacklisting.**
3. **Audit queries and reputational risk.**



Manual vs. Computerized Financial Reporting

Using accounting software offers more efficient control and management than a manual system.

A good accounting system should:

- Be based on a double-entry accounting system.
- Use an up-to-date Chart of Accounts.
- Support effective recording and classification of transactions.

Note:

- Ledgers and journals can be maintained using Excel or accounting software.
 - The accuracy of financial reports depends on the accuracy of the initial financial entries.
 - Each transaction must be supported with documentation and linked to a payment voucher with a reference number for easy traceability, this is known as an Audit Trail.
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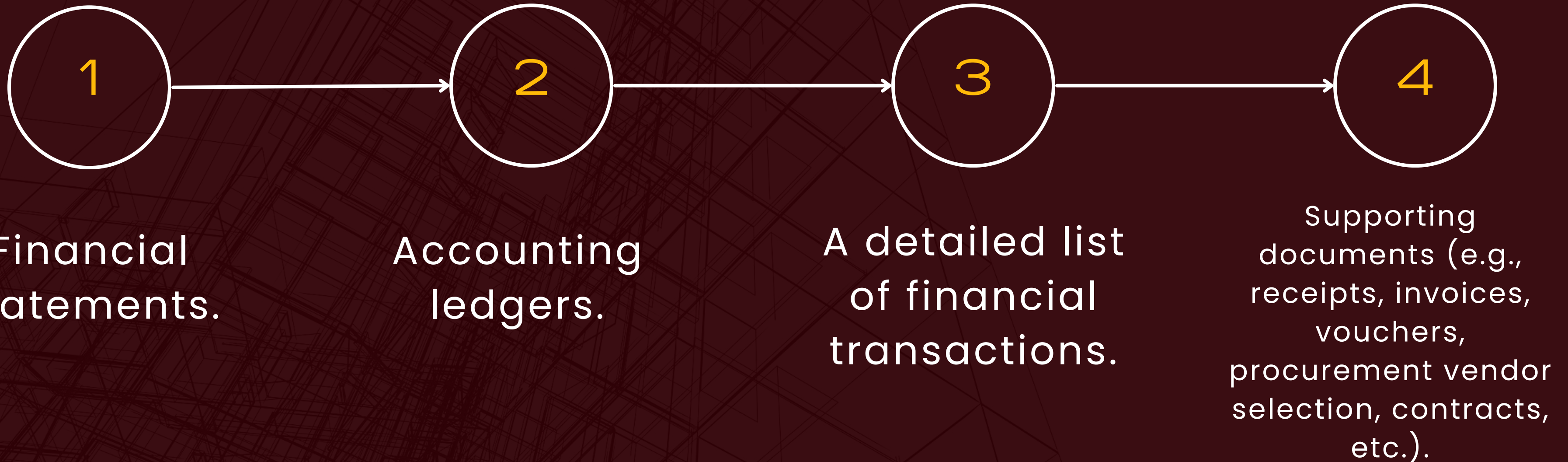


Benefits of Using Accounting Software

1. Provides detailed records of individual transactions for each account.
2. Helps identify and correct errors, such as wrongly allocated transactions.
3. Reports on the opening and closing balances of each account.
4. Analyses financial performance over time.
5. Generates various financial reports required by donors, partners, and auditors.

What Makes Up an Audit Trail?

An effective audit trail includes:



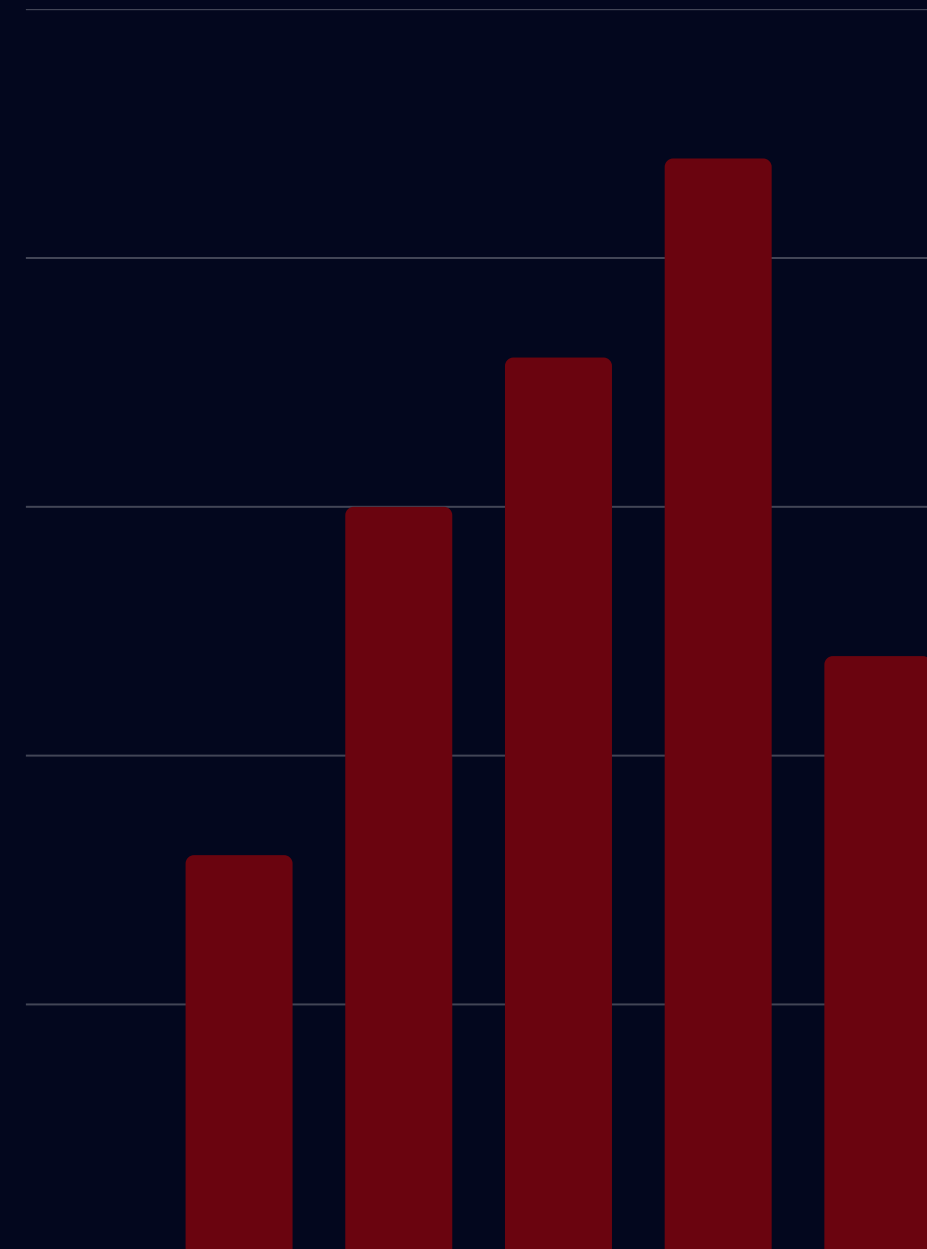
Documentation

- Create a checklist for supporting documents.
- Vendor lists.
- Compliance.
- Separate requisition email threads.
- Physical and electronic financial supporting documents
- Accounting policy, procurement policy, operational manual, Audited report e.t.c



Key Reminders

1. Always maintain accurate financial records.
2. Fairly allocate shared costs across different projects.
3. Ensure a clear and complete audit trail is available at all times.
4. Inaccurate financial records can negatively impact your organization's credibility.
5. Safeguard both physical and electronic financial documents; regularly back them up (e.g., on Google Drive).



Key Reminders

6. Maintain separate bank accounts for each project to enhance transparency and financial tracking.
7. Maintain separate requisition email threads for all projects to ensure proper documentation and effective tracking.
8. Declare exchange gains and clearly communicate the line items and activities it applies to with the partner for approval.
9. Ensure the purpose of payments aligns with the budget line.
10. Create a checklist for supporting documents and ensure it aligns with the organisations and donor's policies.



