

## Financial Health Check Questionnaire

**Name of Business:** .....

**Tel:** ..... **Cell:** .....

**Physical Address:** .....

**Contact Person:** .....

### Introduction

The purpose of this Financial Health Check Questionnaire is to help assess the health of your organisation's financial management. It is designed as an assessment tool so that we can identify areas where you need to improve.

The Health Check is a set of statements of good practice. They cover all the key areas of business financial management. For each statement, you need to consider how well your own organisation is in line with good practice. By the end of the Health Check, we will be able to tell if the financial management in your organisation is healthy or sick.

Every organisation is different and financial management systems must reflect this. A 'one size fits all' approach cannot work. But the key aspects of good practice are the same for most organisations most of the time. The Health Check focuses on those key aspects. They are the foundation stones of good practice.

## How To Use The Health Check

The Health Check can be run by any member of staff or yourself. You do not need specialist financial skills to complete it. It includes explanations of each section and a glossary of the financial terms used.

Taking each statement of best practice in turn, discuss whether it is true, or is in place, or happens in your organisation. Agree on a score based on what actually happens, not what is supposed to happen, or what is documented in your finance manual. The scores available are 5,4,1 and 0 only.

EXPLANATION	SCORE
Our practice is totally in accordance with the statement	5
Close to 5, but not quite there	4
Close to 0, but not that poor	1
This is not in place, or is not true or does not happen	0

Clearly a degree of judgement is required to decide between '4' or '1', and it is not an exact science. If you cannot give yourselves a clear cut 5 or 0, you need to decide which one you are closer to.

## General Overview

REF	QUESTIONS: PLEASE ANSWER YES OR NO	
1.1	Is your organisation currently running any projects?	
1.2	Has your organisation ever run a project?	
1.3	Is your organisation a recipient of donor funding?	
1.4	Does your organisation have a CIPC registration document?	
1.5	Are annual audits up-to-date (signed within 6 months of the year end)?	
1.6	Is there an approved policies and procedures manual in place which is Relevant to the organisation, and known by staff?	
1.7	Do the finance staff have the skills needed to carry out all financial activities?	
1.8	Do Managers and programme staff have the financial skills they need to manage budgets and implement controls?	
1.9	Do all staff receive the training and support they need to carry out their financial management responsibilities?	

## Section 1: Planning & Budgeting

Budgeting is about working out how much your planned activities are likely to cost. Both the business owner and finance staff should be involved in setting budgets, to create a foundation for good cooperation and coordination during spending and budget monitoring.

Budgets have a crucial role to play in strong financial management.

A cash flow forecast is as important as a budget. It constantly looks 3-6 months into the future, starting with the actual cash available now. It helps you to prioritise the timing and scale of planned activities and to spot cash flow problems in good time.



REF	STATEMENT OF BEST PRACTICE	SCORE			
1.1	Budgets are prepared in good time for all the costs of running the organisation	5	4	1	0
1.2	Both finance and business owners are involved in setting budgets	5	4	1	0
1.3	Project budgets are based on the costs of planned activities	5	4	1	0
1.4	Budget worksheets include explanatory notes and clear calculations	5	4	1	0
1.5	A separate budget is prepared for core costs (overheads)	5	4	1	0
1.6	A named individual (budget holder) is responsible for implementing and managing each budget	5	4	1	0
1.7	Budget codes match (or correspond to) accounting codes	5	4	1	0
1.8	All planned operational costs are adequately funded	5	4	1	0
1.9	A cash flow forecast is prepared every month	5	4	1	0
<b>Total score for planning &amp; budgeting</b>					

## Section 2: Basic Accounting Systems

Every financial transaction should be backed up by a ‘supporting document’, e.g., a receipt, invoice or sign sheet (e.g., for many travel reimbursements). This is the evidence that a specific transaction has taken place.

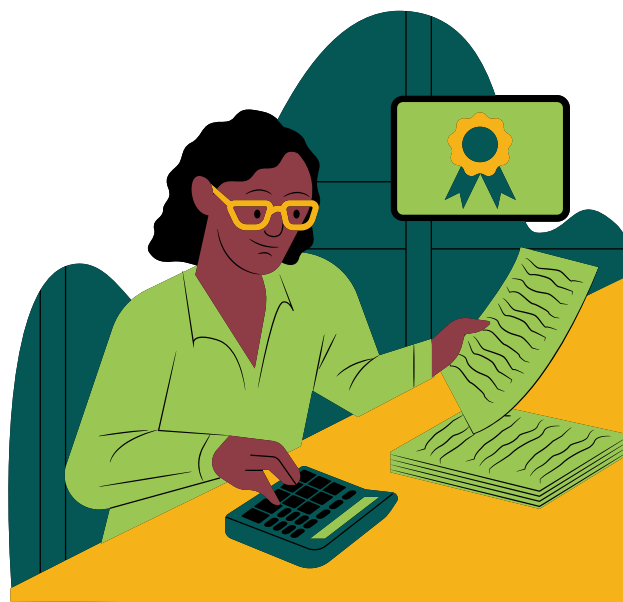
Every transaction involving paying out or receiving money should be written down in a cashbook. It can be kept in a physical cashbook or petty cashbook, on an Excel spreadsheet or as part of a computerised accounting package. Every entry in the cashbooks should be referenced back to the relevant supporting document.

It is important to check the accuracy of the accounting books at the end of each month by carrying out two essentials ‘reconciliations. The bank statement balance is compared to the bank cashbook closing balance. A physical cash count is done to check the closing balance in the petty cashbook.

Accounting works by assigning codes to each transaction entered in the cashbooks. The unique list of accounting codes that an organisation uses is called its “Chart of Accounts”. Another set of codes can be used to assign transactions to a specific project or donor. These are called ‘cost centre’ codes.

REF	STATEMENT OF BEST PRACTICE	SCORE			
2.1	Every payment made has a supporting document providing evidence	5	4	1	0
2.2	All cash or cheques received are recorded	5	4	1	0
2.3	All payments and receipts are recorded in cashbooks (date, description, amount)	5	4	1	0
2.4	There is a separate cashbook for each bank and cash account	5	4	1	0
2.5	Every entry in the cashbooks is cross referenced to a supporting document	5	4	1	0
2.6	All cashbooks are updated at least once per month	5	4	1	0
2.7	All cashbooks are written neatly in permanent ink or on computer	5	4	1	0
2.8	A standard Chart of Accounts is used to code (or classify) each transaction in the cashbooks	5	4	1	0

REF	STATEMENT OF BEST PRACTICE	SCORE			
2.9	A bank reconciliation is done each month, for every bank account	5	4	1	0
2.10	A cash count reconciliation is witnessed and recorded each month	5	4	1	0
2.11	The organisation keeps track of amounts owed to others (e.g., suppliers) and owed by others (e.g., staff)	5	4	1	0
<b>Total score for basic accounting systems</b>					



### Section 3: Financial Reporting

The monthly financial reports should include an **Income and Expenditure** report showing money coming into the organisation and how it was spent. If the report compares the amount spent against budget, it is called a **Budget Monitoring Report**. The budget is supposed to be a tool not a straight jacket. Project managers should use financial reports to help make decisions so that the money is used efficiently and effectively to achieve desired outcomes.

It is also important to report on balances held at the end of each month or quarter. Balances include the amount of money held (cash and bank), as well as amounts owed to the organisation (such as unaccounted working advances) and owed by the organisation (e.g., to suppliers / tax authorities).

Reports should be produced showing the relevant level of detail according to their use.



REF	STATEMENT OF BEST PRACTICE	SCORE			
3.1	The owner reviews financial reports every quarter	5	4	1	0
3.2	Senior managers discuss financial reports at least once every three months	5	4	1	0
3.3	Reports include details of cash and bank balances, amounts due (e.g., from staff) and owed (e.g., to suppliers)	5	4	1	0
3.4	Budget holders receive budget monitoring reports every month	5	4	1	0
3.5	Budget monitoring reports include explanations and comments about differences	5	4	1	0
3.6	Financial reports are used to help make decisions	5	4	1	0
3.7	Financial information is shared with beneficiaries at least once per year, in an accessible way	5	4	1	0
3.8	Annual audits are up-to-date (signed within 6 months of the year end)	5	4	1	0
<b>Total score for reporting</b>					

## Section 4: Internal Controls – Process Documents

Businesses use a lot of different internal controls to make sure that:

- Assets are safeguarded
- Accounting records are accurate and up to date
- Fraud and errors are prevented and detected
- Staff are protected

*Note:* the other sections of the Health Check also include important controls. For instance, cash and bank reconciliations are important for checking accuracy of accounting records and identifying fraud.

REF	STATEMENT OF BEST PRACTICE	SCORE			
4.1	I have process documents in my business so if something happens to me the business can still run?	5	4	1	0
4.2	I have given access to my accounts to a trusted partner/ friend in case of emergencies?	5	4	1	0
4.3	I have registered with the correct industry body	5	4	1	0
4.4	My business is registered with CIPC and my CIPC annual returns are up to date.	5	4	1	0
4.5	I have registered my business with SARS and my tax is up to date and I qualify for a tax clearance certificate.	5	4	1	0

REF	STATEMENT OF BEST PRACTICE	SCORE			
		5	4	1	0
4.6	I regularly back up my work	5	4	1	0
4.7	My client information is safe. I have the correct security protocols in place.	5	4	1	0
4.8	I have liability insurance if I need it	5	4	1	0
4.9	I pay myself a salary and don't spend company money on personal expenses	5	4	1	0
4.10	Statutory deductions (e.g., payroll taxes) are properly made and paid on time	5	4	1	0
4.11	All fixed assets (e.g., vehicles, computers, equipment) owned by the business are insured and controlled using a fixed assets register	5	4	1	0
4.12	There is an approved policies and procedures manual in place which is relevant to the organisation, and known by staff	5	4	1	0
4.13	My staff all have legal contracts and I comply with the labour law of South Africa.	5	4	1	0
<b>Total score for internal controls</b>					

## Section 5: Staffing

Good financial management is dependent on staff with the right skills, support, and attitude to carry out their responsibilities. All staff have a role to play in financial management. The accounting staff are part of a wider team including the Executive Director, Programme Managers and the Board. Integrating good financial management into programmes involves budget holders and finance staff working hand in hand through all the stages of the financial cycle (plan-do-review).

It may be difficult to assess the technical competence of accounting staff. Good indicators are the timeliness of reports, the neatness of files and records in the account's office, and the auditor's comments or recommendations.



REF	STATEMENT OF BEST PRACTICE	SCORE			
5.1	The owner includes / outsources someone with the skills needed to oversee all financial activities	5	4	1	0
5.2	The finance staff have the skills (and qualifications) needed to carry out all financial activities	5	4	1	0
5.3	Managers and programme staff have the financial skills they need to manage budgets and implement controls	5	4	1	0
5.4	Finance staff and budget holders work together well in payments processing and budget monitoring	5	4	1	0
5.5	Different roles within the finance function are clearly defined, known and followed	5	4	1	0
5.6	Senior staff lead by example in following control procedures	5	4	1	0
5.7	Finance staff are recruited freely and fairly on the basis of merit only	5	4	1	0
5.8	All staff receive the training and support they need to carry out their financial management responsibilities	5	4	1	0
<b>Total score for staffing</b>					

## Glossary

<b>A</b>	<b>Account code</b>	A code for a specific type of transaction. Transactions are given a code which describes what type of income or expenditure they are - e.g., 5050 Transport costs, 5600 Office rent etc.
<b>B</b>	<b>Bank reconciliation</b>	Comparing the month end balance on the bank statement to the month end balance in the cashbook and identifying any differences.
	<b>Budget</b>	The best possible estimate of the cost of a set of activities over a given period of time, and of how you are going to pay for those activities.
<b>C</b>	<b>Cashbook</b>	A book or spreadsheet that lists all of the receipts and payments made into and out of a particular bank or cash account.
	<b>Cash reconciliation</b>	Comparing the month end physical cash counted to the expected month end balance in the petty cashbook.
	<b>Cash flow forecast</b>	A report that shows the expected timing of receipts and payments for the next 3-6 months (or longer).
	<b>Chart of accounts</b>	A list of all account codes, including a description of each code.
	<b>Core costs</b>	Costs shared by many projects. Also called overheads or indirect costs.

## Glossary

<b>C</b>	<b>Cost centre</b>	A label for a group of costs which are looked at together. For instance, different projects are often treated as different cost centres.
<b>E</b>	<b>External audit</b>	A review of the year-end financial statements carried out by a professionally qualified and legally registered auditor resulting in an opinion about whether they give a true and fair view.
<b>F</b>	<b>Fixed asset</b>	An item of high value owned by the organisation for use over a long period. Normally office equipment, vehicles and property.
	<b>Fixed asset register</b>	A register (list) of the assets owned by the organisation, including details such as: reference number, date bought, purchase price, and location.
<b>P</b>	<b>Payment voucher</b>	An internal document raised for each payment. It provides a unique reference number and evidence of authorisation. Supporting documents are attached to it.
	<b>Petty cash records</b>	The cashbook where cash transactions are recorded, and the supporting documents relating to each transaction.
	<b>Procurement</b>	The process of purchasing goods and services. Steps in the process may include requesting, authorising, selecting suppliers, ordering, receiving and paying.

## Glossary

<b>R</b>	<b>Receipt book register</b>	A register (list) of receipt books as they come from the printers' showing dates when each one is issued, finished and returned.
	<b>Reconciliation</b>	The process of comparing information held in two sets of records that describe the same transactions.
<b>S</b>	<b>Supporting document</b>	The original documents that describe each transaction. These may include, receipts, invoices, delivery notes, sign sheets etc.
	<b>Statutory deductions</b>	Amounts which must be taken from an employee's pay before they receive it, such as income tax or national insurance contributions.
<b>T</b>	<b>Transaction</b>	Any exchange of goods, services or money in return for other goods, services or money. Most commonly receipts and payments.