



Managing finances at village water committee level

Nonceba Monageng, South Africa

THE MVULA TRUST, a leading Non-Governmental Organization in the Water and Sanitation Sector in South Africa, has over the past 7 years successfully assisted and supported communities in managing their finances. Standard forms and procedures were developed by the Mvula Trust to assist the communities in managing their finances. This is in line with the Mvula Trust's community based management approach. The approach seeks to empower local level structures to manage their water supply projects.

To date, an amount of more than R200 million (\$25m) has been channeled to community accounts for implementation of water projects. To Mvula's credit only 0.15% of this money has been lost through fraud.

This paper presents field experiences from one of the projects implemented by Mvula. The project was funded by the Department of Water Affairs and Forestry through Mvula Trust. The project was audited by myself. The case study will give a background regarding the funds that were directly paid into the project's account. It will describe how these funds have been managed by Mvula, and the system utilised by the community itself.

The paper will reflect that empowered communities can successfully manage the implementation of their own development projects.

The case study

Description of the project

Diphagane is a community of 3,365 people occupying 498 plots in the Northern Province, within the Tubatsi Municipality.

Diphagane Water Project has been funded to the tune of R599 030. The project was started in 1998.

The project is still at the construction stage. The community-based labourers have already laid water pipes and the reservoir is currently under construction. The project has been halted because of funding shortage. This issue is currently being resolved and there is hope that this project will be completed by the end of this year.

The implementation has taken longer than planned. The reason for this is that the ground is very rocky and the labourers found it difficult to dig with spades. Therefore compressors had to be hired and used.

Lessons from the field

Management structures

Like all other Mvula Trust implemented projects, this project is run by the Village Water Committee. The committee is comprised of:

- The Chairman;
- The Treasurer;
- The Secretary; and
- Bookkeeper.

Financial and administration system

• Banking

The Diphagane bookkeeper administers the project funds. She maintains the project bank account, keeps a payroll register and records all the transaction in a cashbook.

The bookkeeper maintains a file that contains all the bank statements from the beginning of the project to date.

The bank sends bank statement by mail to the tribal office on a monthly basis. The Village Water Committee uses the tribal office as their office.

In cases when the bookkeeper does not receive the bank statement, she requests a copy or a provisional statement.

It is very impressive to see the potential that the bookkeeper has in keeping these financial statements in order and easy to access.

• Invoices

Invoices are sent directly to the community by the suppliers. These are also filed in date order. These are processed as and when they are received.

The bookkeeper issues cheques and makes sure that prior to issuing a cheque there is an invoice for the amount from the creditors. A cheque requisition is attached to the invoice and both documents are forwarded to the treasurer and chairperson for approval of the payment.

• Payroll Register

A payroll register is used by the bookkeeper to record the names of the labourers. The task performed, their identity numbers, amount paid and signature of the person who received the money are recorded.

Labourers are paid after every two weeks for work done rather than a daily wage.

The payroll register's total amount to be paid, must tie up with the cheque issued for the purpose of paying the labourers.

- **Cashbook**

The cashbook entries are done monthly by the bookkeeper on the basis of information as contained in the bank statement. These entries have been recorded from the beginning of the project, which was in July 1998, to date.

The Community also controls petty cash. The total spent from petty cash is recorded in the cashbook. The bookkeeper keeps all the petty cash vouchers and receipts relating to payment done using the petty cash.

- **Signatories**

The Mvula Trust's requirement is that the members of the committee must be the signatories to the committee's bank account. The bookkeeper in this village, as in most cases, is not one of the signatories.

The bookkeeper ensures that two signatories have signed the cheque, as this is the mandate as agreed with the banking institution. As soon as this process has been completed, the bookkeeper files the original copy of the invoice, with the requisition, in cheque number order.

- **Procurement system**

During the audit I basically compared the bank statement and the cheques issued with the cashbook records.

These tie up to the cent. For every payment the community followed Mvula Trust requirements that each cheque should be issued on the basis of an invoice received from the creditor. This procedure is followed by the bookkeeper who also makes sure that for every cheque issued a transaction is recorded in the cashbook.

The bookkeeper also produces a bank reconciliation to ensure that the balance as per the cashbook balances with the bank statement. The treasurer will also check the books on a monthly basis to ensure that the bookkeeper has recorded all the transactions that took place during the month. The treasurer will give feedback to the Village Water Committee on her findings.

The bookkeeper also records all the bank charges and interest earned in the cashbook to be able to balance back to the statements.

On seeing how the financial documents were filed I suggested to the bookkeeper that she must at least file her financial documents annually to make it easy for an auditor to go through their books. Currently she has one file that dates back to May 1998.

During the field visit the project's cashbook was checked against the cheques issued and cheque requisitions prepared. The bookkeeper recorded all the transactions as per the approved budget line items.

- **Accountability and Transparency**

The bookkeeper is accountable to the Village Water Committee. She is required to submit a report on a monthly basis to the committee and the community.

The bookkeeper basically explains to the community and the committee how much money has been received and how it has been utilised.

On reporting to Mvula Trust the project submits a copy of their cashbook together with copies of bank statements, requisitions, invoices and the payroll register. These are perused by the finance department and any discrepancies addressed with the bookkeeper.

Monitoring

The Mvula representative is one of the key players who supports the committee. A Training Agent who, in most cases is appointed by the committee itself, sometimes does the training. In these cases the Mvula Trust representative plays a monitoring role in ensuring that the Training Agent has adhered to the policies and procedures set out by Mvula Trust.

Conclusion

We need to also explain that we do have cases wherein projects are struggling to maintain good records on their account. In these cases we might find that all the records are there, but the problem is that they have not been properly filed. Still in these cases the Village Water Committees are able to account for all the money received from Mvula Trust.

For example during my field visits I came across a project that could account for every cent received through the Trust, but their books were in disarray. However, the committee had displayed the ability to manage its own finances.

When comparing this project with the Diphagane I found bank statements that clearly reflected sums received from the Mvula Trust. Also on record was how the money has been utilised. The funds they received through the Mvula Trust have been utilised for the intended purpose. The communities have also ensured that the expenditure per budget line item is not exceeded. Their cashbooks reflect expenditure for each budget line item approved.

To me this is a clear demonstration that we should in reality not undermine the capability that these communities have.

Mvula Trust acknowledge that there might be problems in other cases, but we will always give communities an opportunity to manage their project finances. We have subsequently undertaken to provide more support to projects identified as struggling.

With the Mvula Trust providing assistance to these communities it has been proven that the majority of projects within the Trust have the capabilities of managing their own finances. This shows that it is not a myth but a reality that there are capable communities out there and credit must be given to them.

The Mvula Trust believes that with proper training and support projects on the ground are self-reliant. Almost 80% of the Mvula Trust funded projects manage their own finances and we strongly believe that communities are

indeed capable. Finally, as indicated earlier, the Mvula trust has deposited over R200 million into community bank accounts over the past 7 years. Less that 0.15% R300,000 (\$ 37,500) has been fraudulently used, and most of that was in one community where the perpetrator has been taken to court and the money will probably be recovered.

Mvula Trust has shown that communities can indeed successfully manage the implementation of their own development projects. This has led to empowerment as well as cost savings in implementation.

Reference

ON SITE VISIT to Diphagane and Mophalema. March 2001.

THE MVULA TRUST, Press Statement in Zaaiplaas, Mpumalanga Water Projects, November 2000.

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