

Training Manual on VRMC Money Management

*Haryana Community Forestry Project
Haryana Forest Department*

Prepared by

The Technical Assistance Team

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CONTENTS

Page

Session Schedule

1.	Money Management: Its importance in VRMC/VRMS Functioning	1
2.	Mobilisation of Funds – Sources of Income for the VRMC/VRMS	3
3.	Utilisation of Funds – Various Expenditure of the VRMC/VRMS	7
4.	Procedure for Obtaining Financial Contributions from the Project	9
5.	Procedure for Opening and Operating the VRMC/VRMS Bank Account	10
6.	Maintenance of Cash Book and Subsidiary Registers	14
7.	Preparation of Annual Balance Sheet	22
8.	Audit Requirements/ Accountability of VRMC/VRMS Office Bearers	24
9.	Transparency in Money Management – Needed Precautions	26
	Concluding Session – A Parting Message	28

**MONEY MANAGEMENT
BY VILLAGE RESOURCE MANAGEMENT COMMITTEES/
SOCIETIES**

SESSION SCHEDULE

<p><u>DAY 1</u></p> <p>9.30 to 10.30 AM</p> <p>10.30 to 11.00 AM</p> <p>11.00 to 11.15 AM</p> <p>11.15 AM to 12.15 PM</p> <p>12.15 to 1.00 PM</p> <p>1.00 to 2.00 PM</p> <p>2.00 to 2.30 PM</p> <p>2.30 to 3.15 PM</p> <p>3.15 to 3.30 PM</p> <p>3.30 to 5.00 PM</p>	<p><u>Introductory Session:</u> Ice-breaking, Expectations, Pre-training Evaluation</p> <p>1. Money Management: Its Importance in VRMC/VRMS Functioning</p> <p>TEA BREAK</p> <p>2. Mobilisation of Funds – Sources of Income for the VRMC/VRMS</p> <p>3. Utilisation of Funds – Various Expenditure of the VRMC/VRMS</p> <p>LUNCH</p> <p>4. Procedure for Obtaining Financial Contributions from the Project</p> <p>5. Procedure for Opening and Operating VRMC/VRMS Bank Account</p> <p>TEA BREAK</p> <p>6. Maintenance of Cash Book and Subsidiary Registers</p> <ul style="list-style-type: none"> • Practical Exercise
<p><u>DAY 2</u></p> <p>9.30 to 11.00 AM</p> <p>11.00 to 11.15 AM</p> <p>11.15 AM to 1.15 PM</p> <p>1.15 to 2.15 PM</p> <p>2.15 to 3.00 PM</p> <p>3.00 to 3.45 PM</p> <p>3.45 to 4.00 PM</p> <p>4.00 to 4.45 PM</p>	<p>6. Maintenance of Cash Book and Subsidiary Registers</p> <ul style="list-style-type: none"> • Practical Exercise (Continued) <p>TEA BREAK</p> <p>7. Preparation of Annual Balance Sheet</p> <ul style="list-style-type: none"> • Practical Exercise <p>LUNCH</p> <p>8. Audit Requirements/Accountability of VRMC/VRMS Office Bearers</p> <p>9. Transparency in Money Management – Needed Precautions</p> <p>TEA BREAK</p> <p><u>Concluding Session:</u> Post-training Evaluation, Parting Message</p>

Session 1: Money Management: Its Importance in VRMC/VRMS Functioning

Format: Interactive talk of 30 minutes.

- Aims of Session:**
1. At the end of the session the participants will appreciate the importance of money management in the context of the VRMC/ VRMS.
 2. At the end of the session the participants will understand the importance of the training course and will be keen to learn how to manage the finances of the VRMC/VRMS.

This session is meant to inspire the participants with a genuine desire to handle the finances of their VRMC/VRMS independently and efficiently. The trainer may at the outset generate a participatory learning atmosphere, whereby the trainees feel free to express their views on topics of their common interest and satisfy their curiosity to know the things which they don't know.

The speaker may ask one of the female trainees as to how she manages the kitchen in terms of the resources made available to her and the total expenses incurred on kitchen related affairs. In a lighter vein the experience sharing may be termed as an example of 'zero budget' or 'deficit budget' or 'surplus budget'. Similarly one of the male members of the class may be asked to tell about his way of managing the resources of the household. In both these cases, the figures quoted by the individual trainee may be recorded on two sides, viz.

- i) Income
- ii) Expenditure

Under each of these headings the quoted figures may be arranged item-wise. For example, in case of a kitchen budget the figures of income and expenditure may be recorded under such terms as:

Kitchen Budget (Monthly)

Income	Amount (Rs.)	Expenditure (Rs.)
i) Monthly amount made available by the head of the family for meeting miscellaneous expenditure	1,400.00	1,200.00
ii) Cash value of items made available in kind		
a) Cereal (flour)	240.00	240.00
b) Pulses	120.00	120.00
c) Rice	240.00	240.00
d) Spices/Sugar	120.00	120.00
e) Fuel	240.00	240.00
Total	2,360.00	2,160.00
Saving		200.00
Total	2,360.00	2,360.00

To save time the male member asked to present his case may be asked to tell only if his budget is surplus or deficit.

As a conclusion it may be said that all households, in order to make ends meet, have to apply a measure of money management. Even if it is not formalised in the form of accounts keeping or household books, there is still a balancing of income and expenditure made on a daily, weekly or monthly basis. Every household has a way to tell when it goes 'in the red' and has to practice strict economy. The financial status of the household is often known to all adult members of the household, i.e. there is transparency of accounts. Spending beyond means is looked upon with disapproval, i.e. there is accountability. All this is essential for the survival of the household.

The trainees may then be briefly told about the importance of money management in relation to their role and responsibility to ensure financial strength of the VRMC/VRMS. In brief they may be told that money management in VRMC/VRMS functioning is important because:

- i) It helps VRMC/VRMSs to become vibrant units of community development.
- ii) It provides a framework for short-term project formulation and long-term programme planning.
- iii) It maintains a balance between resource mobilisation and resource utilisation.
- iv) It paves the way for protecting the interests of the weaker sections of the society.
- v) It promotes community participation through contributions in cash and kind.
- vi) It ensures productive use of village resources.
- vii) It generates transparency to the system.
- viii) It adds to the credibility of the organisation and thus creates more avenues for resource mobilisation.
- ix) It enhances fruitful partnership between the government and the local community to accelerate the process of development.

The trainer may very well sum up these nine aspects of money management as being the nine jewels (Navratnas), which will ensure brilliance to community life in terms of the richness of their resources, both natural and human ones.

Session 2: Mobilisation of Funds – Sources of Income for the VRMC/VRMS

Format: Interactive talk of 1 hour.

Aims of Session:

1. By the end of the session the participants will have adequate understanding of the concept of mobilisation of funds.
2. By the end of the session the participants will be clear about their role in mobilisation of funds.

Why mobilisation of funds?

Reinforce the participants' knowledge about:

- Participatory resource management system under HCFP
- The VRMC/VRMS's role in participatory resource management

Raising adequate financial resources is necessary for VRMC/VRMSs to emerge as self-sustaining institutions. Sustainable development is possible only when village institutions are financially strong enough to engage in the development process actively.

Under HCFP an institutional infrastructure has been created in the project villages by VRMC/VRMSs, which act as instruments of participatory resource management to promote community forestry and initiate multi-dimensional programmes of sustainable development at the village level.

In order to ensure the fruitful outcome of the efforts of village resource management, the first and foremost requisite is to mobilise adequate funds through different activities for raising the income of VRMC/VRMSs. The mobilisation of funds has to be linked to the objective of creating various avenues of income generation so that the VRMC/VRMS ultimately succeeds in sustaining the development process out of its own financial resources.

Funds of the VRMC/VRMS

Major sources of VRMC/VRMS funds may be broadly categorised into:

- Community based funds (Internally mobilised funds)
- Government support based funds (Externally contributed funds)

Different Fund Sources

Major sources of community based funds which VRMC/VRMSs can mobilise are:

1. Membership fees
2. Voluntary contributions
3. Donations
4. Income from intermediate products from CPR developed under project support
5. Income from sale of timber at each rotation

The details of each of these fund mobilisation sources can be discussed as under:

1. Membership Fees

Membership implies certain rights and benefits, such as the right to attend group meetings and share in profits from group activities. However, it also implies the following obligations:

- To attend meetings regularly.
- To pay membership fees (ensures that only serious persons are desirous to be members of the VRMC/VRMS and willing to contribute their share to the community efforts directed at raising the initial capital which is a pre-condition to receive funding under HCFP).
- To elect the executive committee of the VRMC/VRMS.
- To repay any loans received by the VRMC/VRMS.
- To contribute to the efforts of raising the standard of life of fellow community members who happen to belong to the weaker sections of the society.

Those who constitute the VRMC/VRMS, if told about the advantages of membership, should be willing to pay the fees as fixed by consensus during the general meeting called for the purpose. The following guidelines should be kept in mind while deciding the amount of the membership fee:

- Payment of membership fee is obligatory to become a member of the general body of the VRMC/VRMS. This fee is to be paid by the head of each household in the village. When the head of the household pays the fee all adult members automatically get admitted to the VRMC/VRMS.
- Membership fee needs to be paid only once, i.e. on admission.
- The amount of membership fee is the same for every household. In case someone offers to pay a larger amount, that could be considered as a voluntary contribution.

The amounts received through the payment of the membership fees have to be deposited regularly in the bank and proper account maintained for the same.

2. Voluntary Contributions

Regular fund raising is essential for sustaining the process of development. In addition community contributions also help to build a sense of group ownership and solidarity.

- Contributions are made voluntarily and cannot be made compulsory.
- A contributor may or may not specify the purpose for which the amount is paid.
- If the VRMC accepts the contribution under certain conditions, the amount has to be spent for the purpose as specified by the contributor.
- Contributors are important not only from the angle of encouraging the members to be united for a particular cause, but they also help the VRMC/VRMS cover costs.

- Contributions can also be made in the form of labour. Such form of voluntary contribution has a special significance, as it provides an opportunity to a poor person to contribute his/her share to the process of development of the community to which he/she belongs. This way, such a contribution ensures maximum participation of the community in development activities.
- Contributions made through labour, popularly known as 'Shramdan', are in line with Gandhian philosophy and were used as an instrument of rural reconstruction by Sant Vinoba Bhave, who was one of the most renowned social reformers of modern times.
- Contributions also ensure the sustainability of participatory approach based development activities, as this resource base is always available at village level.

3. Donations

Donations are also contributions made voluntarily for a social cause. Like contributions, the donations can also be made either in cash or kind and can be made for a specific purpose and, therefore, have to be exclusively used for that purpose only. Other features of donations are:

- Donations can be made by an individual or an organisation like a charitable trust.
- Donations can also be made in the form of a moveable asset like a vehicle or a van or an unmoveable property like land or a building.
- Donation can also be a part of a registered will of an individual.
- Although donations can also be made (in the form of cash or gold as offered to a temple) without specifying the donor's name, yet, in case of such contribution the VRMC/VRMS may find it difficult to accept the same due to legal implications.

Keeping in view the above mentioned considerations, the contributions in the form of donations may not be placed at high priority while planning a strategy of fund mobilisation by VRMC/VRMSs.

4. Income from other Sources

For plantations raised on common land there will be income from intermediate products like grass, seeds, fruit, leaves, dead wood, etc. Payment for such products will be collected by the VRMC/VRMS from the individual users against proper receipt. Eventually there will also be income from thinning and felling of trees. In addition there may be income from charging some amount for use of the Chetna Kendra.

Funds which can be mobilised through HCFP

Grants are given for a specific purpose. The amount received under government grant is to be spent as per conditions governing such grant. Under HCFP there is a provision of such grants as:

- a) A maximum of Rs. 10,000, in cash or kind, for entry point activities. This is a one-time grant meant to establish fruitful contact between the project officials and project villages.
- b) Resource Management Fund of Rs. 30,000, which is provided against community contribution to ensure that the participating villagers extend their support to HCFP as active stakeholders.
- c) Survival Bonus. With a view to encourage VRMC/VRMSs for taking keen interest in protecting and preserving trees grown as woodlots on common land HCFP has the provision of a bonus to VRMC/VRMSs which succeed in survival of at least 80% of the planted trees. The amount of such bonus money will be Rs. 300/ ha. in the second year and Rs. 200/ ha. in the third year after plantation of the woodlot.
- d) Grant-in-aid for Link Workers' honorarium. Lump sums for two village Link Workers for three years, at the rate of Rs. 600 per Link Worker per month, will be made available to each VRMC/VRMS. These lump sums will be paid to the VRMC/VRMS on a quarterly basis.

Session 3: Utilisation of Funds – Various Expenditure of the VRMC/VRMS

Format: Interactive talk of 15 minutes, classroom practice of 20 minutes, interactive talk of 10 minutes.

Aims of Session:

1. By the end of the session, the participants are adequately sensitised to consider proper utilisation of VRMC/VRMS funds as a crucial aspect of resource management efficiency.
2. By the end of the session, the participants will know how to ensure proper utilisation of VRMC/VRMS funds.
3. By the end of the session, the participants will understand the specific responsibilities regarding various aspects of VRMC/VRMS funds utilisation.
4. By the end of the session, the participants will be able to understand the social and legal implications of misutilisation of VRMC/VRMS funds.

In the beginning the participants should be asked to tell as to how each of them perceives the concept of utilisation of funds. Based on a brief interaction, the group should be helped to have proper perception of the concept of the utilisation of funds. The points to be emphasised are:

- i) Utilisation of funds does not mean expenditure of the allotted/available amount to 'zero balance' level, nor should it be guided by a consideration of making savings/ profit the predetermined goal.
- ii) Utilisation of funds may not always be guided by the consideration of 'productive' use of the money.
- iii) Proper utilisation of funds requires observance of the rules of accounts and auditing.
- iv) Utilisation of funds in a proper way is indicative of a sound and effective organisational structure and transactions.

The participants should be told that as VRMC/VRMS key functionaries having adequate knowledge of proper funds utilisation they will be in a better position to:

- i) Make the best use of money for the purpose it has been made available to the VRMC/VRMS.
- ii) Check the possibility of misutilisation of funds by any official.
- iii) Help in maintaining transparency in the system.
- iv) Fix accountability for misappropriation of funds, if it happens.
- v) Avoid the risk of facing legal action for any act of shared responsibility in case the funds have been misutilised.

There are certain activities for which funds are made available to the VRMC/VRMS in an exclusive context. Such funding is generally in the form of grants from the government. Utilisation of such funds is governed by the condition that the money has to be spent for a specific purpose as directed by the funding agency. Payment made to Link Workers as honoraria fall in this category. Similarly the funds received through

donations and voluntary contributions have to be utilized for the purpose specified by the donor.

In case of the Resource Management Fund, the same has to be utilized for maintenance expenditure of plantations raised under the project at the end of the three-year establishment phase. Similarly the amount received as survival bonus from HCFP in 2nd and 3rd years for the woodlot model has to be utilized to meet the expenditure relating to operation and maintenance and items like social infrastructure. In the same way returns from intermediate products from woodlots and final harvest are to be utilized for works benefiting the entire community.

It may also be clarified to the participants that the funds created through the membership fees are to be utilized for meeting the establishment expenses like maintenance of office and purchase of stationery.

With a view to assess the level of the participants' awareness of the aspect of utilisation of funds, they may be asked to form village wise groups. Each group may then be given a classroom exercise to list the various possible kinds of utilisation of the funds received by the VRMC/VRMS. The presentation made by each group will give some idea about the groups understanding of the aspect of funds utilisation. Proposed fund utilisation may be as follows:

1. Payment of honorarium to Link Workers.
2. Recurring expenditure on stationery, postage, TA/DA to VRMC/VRMS functionaries.
3. Organising meetings and other extension activities.
4. Maintenance of VRMC/VRMS property.
5. Income generating activities.
6. Distribution of improved chulahs.
7. Maintenance of community plantations after three years.

**Utilisation of the Resource Management Fund
shall be governed by the following rules:**

- i) After at least 50% of the households in the village have paid the VRMC/VRMS membership fee, the project will give to the VRMC/VRMS a 3-year term deposit of Rs. 30,000 which will mature at the end of the third year and can be utilised only then.
- ii) The matured amount with interest will be utilised to meet the genuine needs of managing the microprojects, in particular care and maintenance of plantations on common land after three years of planting.
- iii) At the time of felling, the fund shall be replenished from income of sale of trees up to at least its original level. The share of sales proceeds from trees grown on common land going to the VRMC/VRMS is defined in the tripartite agreement.

- iv) Proper accounts will be kept regarding the funds received from HCFP. The accounts will be inspected and audited at the end of each financial year.
- v) All decisions regarding utilisation of funds will be through majority vote among the VRMC/VRMS members in a general body meeting.
- vi) VRMCs will provide to the Village Panchayat statements of accounts and utilisation of funds as per statutory requirements.

Session 4: Procedure for Obtaining Financial Contributions from the Project

Format: Interactive talk of 30 minutes.

Aims of Session:

1. By the end of the session, participants will know about the procedure to be adopted for obtaining financial contributions from the project.
2. By the end of the session, participants will have the skill to take proper steps for obtaining financial contribution from the project.

As a part of initial brainstorming the participants should be asked:

- i) What are different types of financial contributions which are to be made available to VRMC/VRMSs by the Project?
- ii) Is there any set procedure which has to be followed for obtaining financial contributions from the Project?

The knowledge gap which is likely to be projected during the interaction will prepare favourable environment for providing the needed knowledge input to the trainees. It is expected that the trainees will be in a position to indicate different types of financial contributions to be received under the Project, as this aspect has been given in an earlier session.

It is important that the trainees are specifically told about the procedure which has to be followed for obtaining the financial contributions from the project:

1. After at least 50% the households have paid their membership fees, the VRMC/ VRMS requests the DFO to pay to it the seed money of Rs. 30,000 for the Resource Management Fund. The release of the amount in the shape of an interest bearing fixed deposit is to be made by the DFO only after confirming from the accounts of the VRMC/VRMS that membership fees have been collected from at least 50% of the households. Moreover, the amount will be released only if the VRMC/VRMS has opened its own savings bank account in a scheduled commercial or cooperative bank. On maturity of the term deposit, the proceeds will revert to the Savings Bank Account of the VRMC/VRMS to enable it to meet the genuine management needs of the plantation microprojects.
2. In order to receive survival bonus the VRMC/VRMS will have to ensure certificate of survival percentage by the microproject monitoring team and the

Project M&E staff. The survival bonus will be released directly to the VRMC/VRMS Savings Bank Account.

3. For repeated quarterly lump sum contributions by the project towards honoraria of the Link Workers the VRMC/VRMS will have to produce vouchers of Link Workers' payment from the lump sum contribution previously received (utilisation certificate).

The trainees should be clearly told about the advantages of the utilisation of project funds in accordance with the provisions of audit rules. Similarly, it is expected that the trainees are made fully aware of the risks involved in misutilisation of government funds.

Session 5: Procedure for Opening and Operating the VRMC/VRMS Bank Account

Format: Interactive talk of 30 minutes, followed by classroom exercise of 15 minutes.

Aims of Session:

1. By the end of session, participants will know about the procedure that has to be followed for opening VRMC/VRMS Bank Account.
2. By the end of session, the trainees will be familiar with the procedure for operating the VRMC/VRMS Bank Account.

At the outset the trainees need a bit of brainstorming on the subject. For this the participants may be asked whether anyone of them has a bank account and if so, in what way he/she feels benefited from this facility. The bank account holders amongst the participants may then be asked the procedures followed for opening and operating their respective bank accounts. In case of incorrect or inadequate responses, others may be asked to make needed modification. Similarly the participants may be asked if someone of them has been a Sarpanch of a Village Panchayat and those belonging to this category may be asked whether they know the procedure adopted for opening and operating the bank account of their respective Panchayats.

After this brainstorming the facilitator should specify the steps which have to be followed for opening VRMC/VRMS Savings Bank Account with the nearest branch of a scheduled Commercial/Cooperative/Regional Rural Bank. They are:

- i) The VRMC/VRMS convenes an ordinary meeting to discuss the issue of opening a bank account as one of the items on the agenda. If there are no other issues to be discussed, a specific meeting may be called to discuss this particular subject.
- ii) The item is put before the house for discussion and decision.
- iii) A formal resolution is passed authorising the VRMC/VRMS to open a Savings Bank Account in its name.
- iv) An application has to be moved to the bank and submitted to the Branch Manager along with the requisite documents.

The resolution shall (see attached Model Resolution):

- Specify the persons who can operate the account.

- Specify the conditions, if any, to withdraw more than a certain amount.
- Bear the signatures of the Chairperson, Secretary, Cashier and other members of the VRMC/VRMS present in the meeting.
- Bear the seal of the VRMC/VRMS.

The trainees should be specifically told about the types of documents required for opening a bank account of the VRMC/VRMS. These are:

1. Application with specimen signatures of authorised signatories.
2. An attested copy of the resolution passed by the VRMC/VRMS.
3. Three photographs of each signatory.
4. Bye-laws and certificate of incorporation/formation.
5. Minimum cash deposit as required by the bank.

It may be clearly told that copies of the bye-laws and certificate of incorporation/ formation is an essential document which the bank may ask for. This document is particularly needed in case of a VRMS applying for opening of a bank account. In case of a VRMC, however, the bank may ask for the copy of the resolution of Panchayat which was passed to form the VRMC.

According to the guidelines of constituting VRMC/VRMSs under HCFP, there are certain mandatory provisions which have to be followed for opening and operating VRMC/VRMS Bank Accounts. They are:

- i. The authorised signatories are the Chairperson, the Secretary, the Cashier and SDO (HCFP).
- ii. For operating withdrawals upto Rs. 1,000, the signature of the Chairperson and the Cashier or the Secretary and the Cashier shall be sufficient. However, for withdrawals above Rs. 1,000/- the signature of the SDO shall be required additionally.
- iii. All withdrawals from the account above Rs. 1,000/-, except the payments of Link Workers, shall be within the limits of expenditure and purposes decided by the General Body.

In opening the bank account, the VRMC/VRMS will be provided a Bank Passbook by the bank. Entries in the passbook will be made by bank personnel upon deposits and withdrawals. However, it is advisable that an updated copy of the bank passbook is maintained by the VRMC/VRMS Cashier in case the original passbook is lost.

Classroom Exercise

The facilitator will show a specimen of a Bank Passbook and hand out the passbook format on sheets to all participants, requesting them to fill in deposits and withdrawals as stated by him in a classroom exercise. The exercise is preferably done by arranging the class into three village-wise sub-groups.

**Model Resolution for
Opening of Bank Account of
VRMC/VRMS**

Resolution No.:

Resolution passed at the meeting of
the
Village Resource Management
Committee/Society held
on..... (date).

Resolved that a Savings Bank
Account of the
VRMC/VRMS be opened with
..... Branch of
..... Bank. The
persons who are authorised to
operate the Account are:

<u>Name and Address</u>	<u>Designation</u>
1. Shri/Smt	Chairperson
2. Shri/Smt	Cashier
3. Shri/Smt	Secretary
4. Shri/Smt	SDO-HCFP,
..... Subdivision, Haryana Forest Department	

Further resolved that for withdrawals upto Rs. 1,000 the signature of the
Chairperson and the Cashier or the Secretary and the Cashier will suffice
and for withdrawals above Rs. 1,000 the signature of the SDO shall be
required additionally.

Further resolved that a copy of this resolution be given to
..... Branch of Bank for their
record.

Signed

Chairperson	Secretary	Cashier	Other
members present			

Seal

for Village Resource Management
Committee/Society

1. Application with specimen signature of authorised signatories.
2. 3 Photographs of each authorised signatory.
3. Bye-laws and certificate of incorporation/formation.
4. Minimum cash deposit as required by the bank.

Session 6: Maintenance of Cash Book and Subsidiary Registers

Format: Talk of 30 minutes, followed by practical exercise of 2½ hours.

- Aims of Session:**
1. At the end of the session the participants will understand the main features and the importance of the cash book and its subsidiary registers.
 2. At the end of the session the participants will have acquired basic skills to maintain the VRMC/VRMS cash book with subsidiary registers.

At the outset the participants may be asked if they have heard of any such thing as a cash book. Those who give affirmative responses may be asked to acquaint the fellow trainees about their understanding of a cash book. Such responses may be written on the blackboard and a common operational meaning may be evolved through a brief but pointed interaction with the participants. Similarly, the participants may exchange their views on the importance of maintaining a cash book by a village organisation like the VRMC/VRMS which is receiving funds from the government and also mobilising resources from the community.

After this initial input the participants may be told about the salient features of the cash book, highlighting the following:

1. There are two sides of cash book entries, namely
 - a) Debit or Income side
 - b) Credit or Expenditure side
2. Each of these two sides contains the following columns:
 - a) Receipt No., Date, Particulars, Amount and Remarks on the Debit side.
 - b) Voucher No., Date, Particulars, Amount and Remarks on the Credit side.
3. Against each receipt an entry must also be made in the Receipt Book. Each page of the Receipt Book consists of three identical parts to be properly filled in. Each page is given a serial number (receipt no.), the same number for all three parts.
 - a) In case of receipts from HCFP the two right-hand parts will be torn apart from the book and given to HCFP. The left-hand part will remain in the book.
 - b) In case of receipts from VRMC/VRMS members and other community contributions one part will be given to the contributor and one will remain in the book.
 - c) In case of payment of membership fees an entry will also be made against each household's payment in a special Membership Fee Register (in addition to Receipt Book entry as above and cash book entry, which will then be simplified to aggregate all membership fees paid on a certain day as one cash book entry against a range of receipt numbers). Each household's payment will be signed for in the Membership Fee Register by the VRMC/VRMS Cashier, in the presence of the paying member.
4. For payments the following subsidiary registers are required:
 - a) A file of numbered paid vouchers. Each voucher/bill entered will have to be signed by the recipient as "Paid".

- b) A Link Workers' Salary/Honorarium Payment Register. Link Workers will sign each receipt of payment in this register, which will count as a voucher. It is not required to maintain any other vouchers than this register for Link Workers' payments, but the voucher serial numbers must be synchronised with those of other vouchers in the voucher file.
- c) In case quotations have been asked for, the same will be attached to the applicable voucher in the voucher file.

5. At the end of each month the current cash balance will be calculated and entered in the cash book.

Practical Exercise

After having been briefly told about the ways in which cash book entries and entries in Receipt Book, Membership Fee Register and Link Workers' Salary/Honorarium Payment Register have to be made, the trainees will be assigned practical exercises. The facilitator will ask them to fill up blank forms containing the various columns of a cash book. Blank specimens of Receipt Book, Membership Fee Register and Link Workers' Salary/ Honorarium Payment Register will simultaneously be filled in against relevant cash book entries. Cash balance at the end of each month will be calculated and entered in the cash book.

To make this exercise more meaningful it would be better to form three sub-groups on the basis of VRMC/VRMS belonging. Each sub-group may then be given the hypothetical situations against which cash book entries and entries in the subsidiary registers are to be made.

Through these class room practical exercises the trainees should be enabled to:

- Make daily entries in the cash book;
- Prepare monthly cash balance;
- Ensure to refer to relevant voucher/receipt against entry;
- Maintain Receipt Book;
- Maintain Membership Fee Register;
- Maintain Link Workers' Salary/Honorarium Payment Register.

These documents will help to check the possibility of wrong entry through the process of checks and rechecks.

Session 6 – Classroom Assignment

VRMC Accounts for the month of July

The only fund available is through collection of membership fees and expenditure relates to the visit of the VRMC Chairperson to the DFO's office in connection with finalisation of village woodlot microproject and purchase of a book.

CASH BOOK									
<u>DEBIT SIDE</u>					<u>CREDIT SIDE</u>				
(INCOME)					(EXPENDITURE)				
Receipt No.	Date	Particulars	Amount	Remarks	Voucher No.	Date	Particulars	Amount	Remarks
		Carried over from March	100.00	Cash in hand					
11 – 71	April 1 to June 30	Carry back amount of membership fees received from 61 households @ Rs. 10/-	610.00	Deposited in SB Account 1320 of P.N.B.	1	July 23	TA/DA bill submitted by VRMC Chairperson i) Bus fare (both ways) ii) Rickshaw charges iii) DA (fixed)	25.00 10.00 50.00	Reg. Mem. with
							Total	85.00	
72 – 80	July 1	Membership fee of 9 households	90.00		2	July 26	Purchase of Book on Horticulture	135.00	
81 – 84	July 4	-do- 4 households	40.00						
85	July 6	-do- 1 household	10.00						
86 – 92	July 10	-do- 7 households	70.00						
93 – 95	July 16	-do- 3 households	30.00						
96 – 105	July 20	-do- 10 households	100.00						
106 - 108	July 23	-do- 3 households	30.00						
109 – 120	July 27	-do- 12 households	120.00				Total Expenditure	220.00	
121 – 135	July 30	-do- 15 households	150.00				<u>Balance end July:</u> Bank balance Cash in hand	610.00 520.00	
		Total Income	1350.00					1350.00	

For the month of August

- Income:
- i) Membership fees from 56 households:
 - August 13, 17 households Rs. 170.00
 - August 19, 23 households Rs. 230.00
 - August 27, 16 households Rs. 160.00
 - ii) Contribution from HCFP towards Resource Management Fund, received August 22 Rs. 30,000.00

Expenditure has been incurred against holding a general body meeting of the VRMC. The items of expenditure are (dates of expenditure have to be given in the cash book):

i)	Purchase of stationery before the meeting	Rs. 130.00
ii)	Hire charges for durry, white sheets etc.	Rs. 100.00
iii)	Serving tea with biscuits to the participants	Rs. 227.00

For the month of September

Income:	i)	Gift received on September 4 from Shri Biru Ram,	
	Rs. 500.00	businessman and ex-resident of the village,	
		meant for	
		purchase of furniture to the Chetna Kendra	
	(ii)	Project grant for Link Workers honorarium for three	Rs. 3600.00
		months (September to November), received Sep. 25	
		Less the amount to be paid to Link Workers for	
		September, the grant is deposited in the bank account.	

The only item of expenditure in this month is the payment of honorarium to the two Link Workers for the month of September (give their names and date of payment).

Instructions to the Trainer

The participants will be given the VRMC accounts for the month of July, and will go through each entry to get an understanding of how entries are made in the cash book. Thereafter, they will be given the hypothetical income and expenditure of the VRMC for the months of August and September as indicated above and be asked to make entries in the cash book and subsidiary registers for these months. The cash balance at the end of August and the end of September will also be calculated and entered. While entering the balance, discuss how much of it should be kept in hand and how much should be deposited in the bank account.

CASH BOOK

DEBIT SIDE

(INCOME)

CREDIT SIDE

(EXPENDITURE)

Receipt No.	Date	Particulars	Amount	Remarks	Voucher No.	Date	Particulars	Amount	Remarks

RECEIPT BOOK

Receipt No.		Receipt No.		Receipt No.	
VRMC/VRMS of Village: CD Block:		VRMC/VRMS of Village: CD Block:		VRMC/VRMS of Village: CD Block:	
Received from		Received from		Received from	
.....		
the sum of Rupees (in figures)		the sum of Rupees (in figures)		the sum of Rupees (in figures)	
(in words)		(in words)		(in words)	
.....		
on account of		on account of		on account of	
.....		
.....		
Date:		Date:		Date:	
.....		
.....		
Signature & Name of Cashier or Secretary	Signature & Name of Chairperson	Signature & Name of Cashier or Secretary	Signature & Name of Chairperson	Signature & Name of Cashier or Secretary	Signature & Name of Chairperson

Session 7: Preparation of Annual Balance Sheet

Format: Talk of 30 minutes, followed by classroom practice of 1½ hour.

- Aims of Session:**
1. At the end of the session the participants will understand the importance of preparation of an annual balance sheet.
 2. At the end of the session the participants will be able to prepare an annual balance sheet.

In the beginning of the session the facilitator should highlight the importance of the annual balance sheet. He should then explain the contents of the format which is to be used for preparing an annual balance sheet. This should be followed by a description of the procedure to be adopted for preparing the annual balance sheet. The points to be emphasised in this context are the following:

1. The annual balance sheet is a document which presents the financial status of an organisation in terms of profit and loss position during a particular year.
2. Total amounts of the two sides of the balance sheet – one side showing ingoing cash balance at the beginning of the year plus total income during the year, the other side showing total expenditure during the year plus outgoing cash balance at the end of the year – must always balance.
3. If the two sides do not balance all amounts have to be checked one by one and necessary corrections be made until the two sides balance.
4. Profit/loss is calculated by taking outgoing cash balance at the end of the year minus ingoing cash balance at the beginning of the year.
5. The ingoing and outgoing cash balances are shown both in terms of cash in hand and cash at the bank.
6. The annual balance sheets of various years, if compared, can indicate the changing trend of financial strength.

The filled in example of an Annual Balance Sheet, shown on the next page, will be used to illustrate these points.

Given this understanding the trainees may be assigned a class room exercise.

Classroom Practice

Divide the class into three sub-groups based on their VRMC/VRMS belonging. Ask each group to prepare a balance sheet based on the cash book entries made in the previous session (for the six months April – September).

ANNUAL BALANCE SHEET (with Hypothetical Example filled in)

Particulars	Amount	Particulars	Amount
Ingoing Cash Balance at the Beginning of the Year:		Total Expenditure during the Year	1,297.00
- Cash in hand	175.00	Outgoing Cash Balance at the End of the Year:	
- Cash at bank	<u>400.00</u>	- Cash in hand	393.00
- Total	575.00	- Cash at bank	<u>2,700.00</u>
Total Income during the Year	3,815.00	- Total	3,093.00
Grand Total	4,390.00	Grand Total	4,390.00

PROFIT/LOSS DURING THE YEAR:

Cash Balance at the End of the Year	3,093.00
Cash Balance at the Beginning of the Year	- <u>575.00</u>
Profit/Loss of the Year	+ 2,518.00

Session 8: Audit Requirements/ Accountability of VRMC/VRMS Office Bearers

Format: Interactive talk of 45 minutes.

Aims of Session:

1. By the end of the session, the participants will have a clear understanding of the requirements of audit.
2. By the end of the session, they will be fully aware of their accountability in the context of their role to manage the funds of the VRMC/VRMS.

Audit as an Essential Element of Public Accounts Systems

Any organisation formed under the provisions of Registration of Societies Act (like a Village Resource Management Society) must get its accounts audited for every financial year. A VRMS must, therefore, every year prepare an annual balance sheet to be presented for audit, and be ready to show supporting accounts (cash book, bank passbook, receipt book, membership fee register, Link Workers' payment register, file of vouchers) verifying the balance sheet.

However, also the accounts of a VRMC will be similarly audited every year by the DFO of the Haryana Community Forestry Project.

Audit is an essential element of public accountancy system, which ensures fund utilisation in accordance to set norms and rules. To be precise, audit:

- is a tool to ensure transparency of public accounts;
- is a parameter of fixing accountability of the misuse of public funds, if any;
- is an instrument to ensure efficient financial management;
- is a means of effective supervision of accounts keeping;
- is an aid to evaluate the financial competence and credibility of an organisation.

Requirements of Audit

Broadly speaking, there are two categories of audit requirement. They are:

1. Documentary requirements
2. Procedural requirements

With a view to understand different implications of the audit process it is essential that the trainees are given adequate understanding of two aspects, namely book keeping and accounts maintenance. While book keeping refers to the supplementary information needed for verifying the authenticity and adequacy of maintaining various account books, accounts maintenance relates to the observance of certain rules and regulations for using public funds. While the two aspects are complementary in nature, from the angle of audit each has its own importance. The facilitator should clarify these points.

Documentary Requirements of Audit

While auditing a public funds account, any one of the following documents/books may be required:

- Cash Book
- Bank Passbook
- Receipt Book
- Membership Register (same as Membership Fee Register)
- Meeting Proceedings Register
- Link Workers' Salary/Honorarium Payment Register
- File containing Unpaid Bills
- File containing Paid Vouchers

As per rules of audit all these documents/records are mandatory to be maintained. Most of the documents have been dealt with in previous sessions, but the facilitator should again briefly go through them and tell how they may be used in audit.

Procedural Requirements of Audit

There are certain rules governing the utilisation of public funds. In the context of VRMS funds, the same rules apply. Observance of these rules is obligatory for VRMS office bearers and also for project officials dealing with these funds. Although quoting of such rules may not be needed in the context of this training course, yet, some broad guidelines may be suggested to provide elementary understanding of the procedure to be followed in utilising VRMS funds and maintaining their proper accounts for satisfying audit requirements. As also accounts of every VRMC will be subject to internal audit by the project every year, these rules should be followed also by VRMCs. The basic rules are:

- a) Every item of income and expenditure should be entered in a cash book on day-to-day basis.
- b) The entries of the passbook made by the bank should always be up-to-date and should tally with the figures shown in the cash book.
- c) The cash in hand as shown in the cash book should tally with cash amount actually held, to be made available to be verified by the auditor.
- d) The receipt book should be up-to-date, receipts be entered in proper serial number, without any cuttings and with clear mention of the amount received both in figures and words. Sources of the money received are to be clearly mentioned.
- e) Documents like Membership Register, VRMC/VRMS Meeting Register, Link Workers' Salary Payment Register etc. should be kept up-to-date and in 'ready to present' form.
- f) Files containing unpaid bills, paid vouchers, quotations/tenders etc. should be up-to-date and in a presentable form. The vouchers/bills should be arranged in proper sequence and proper form.
- g) While making entries in any of the above mentioned documents, it should be very well assured that the entry of a particular document does correspond to the related entry in other documents.

These guidelines, if followed properly, will ensure a positive audit reporting and add to the credibility of the VRMC/VRMS in general and those dealing with its accounts in particular. It may be pointed out that in case of any negative reporting by an authorised auditor, all those related to expenditure made against the rules will be held responsible. General accountability is fixed against those who sign the cheques and receipts or attest the vouchers of expenditure. The Chairperson, Cashier and Secretary who are the main signatories are, however, mainly accountable for misappropriation of funds and are likely to be punished as per findings of the inspecting official.

Session 9: Transparency in Money Management – Needed Precautions

Format: Interactive talk of 30 minutes, followed by a group discussion of 15 minutes.

- Aims of Session:**
1. By the end of the session, the trainees will have a clear perception of the concept of transparency in money management and be well aware of its importance to the VRMC/VRMS and to their own image.
 2. By the end of the session, the participants will be fully motivated to keep their accounts fully transparent.

What does Transparency of a System Mean?

With a view to create the interest of the trainees in such a topic, which they might not have given a serious thought before, the facilitator should ask them such general questions which relate to their village situation. For example:

- i) Do you have any idea about the sources of income and the items of expenditure of your village Panchayat?
- ii) Does the Sarpanch of your village Panchayat make the financial records available for public exposure?

In case of assertive responses, the trainees may be further asked if the financial management system followed by their village Panchayats was such that anyone could see the accounts at any time. If this was so, the system could be described as being transparent.

To make the concept further clear the trainees may be told about the commonly used phrase 'my life is like an open book'. It is expected that most of the trainees understand the message conveyed by this phrase. They may then be asked to describe their individual perception of this phrase. Through a directed group discussion the trainees may be helped to arrive at a consensus on the nature of an open system, be it the style of functioning or financial management. Discussed against this thought provoking background the trainees will be in a better position to understand the concept of transparency and its implications in money management.

To be specific, transparency in VRMC/VRMS money management implies that:

- There is nothing 'secret' or 'confidential' about accounts.

- The accounts are shared with all members of the VRMC/VRMS's executive committee in its regular meetings and with all members of the VRMC/VRMS in all meetings of the VRMC/VRMS general body.
- The entries are so simple that every member of the VRMC/VRMS can understand them.
- Each entry is supported by needed documents like vouchers, bills, receipts, bank passbook, etc.
- Figures in one document (say cash book) tally with entries made in other documents (say Membership Fee Register).
- In case of non-observance of audit/accounts rules in a special case (say purchasing an item at a rate that may be higher than the lowest quoted rates) the reason for the same may be explained in a convincing way.

Transparency in money management implies that the entries in different record books should be:

- Adequate
- Accurate
- Clear
- Simple
- Up-to-date

Constant vigilance and regular supervision helps to make the system transparent.

There are certain precautions needed to ensure that transparency is maintained in the financial system. They are:

- i) Maintain all record books as required in accordance with the established norms and existing rules.
- ii) Keep the cash book up-to-date through daily entries.
- iii) Avoid the practice of cutting and overwriting figures (if uncertain about a cash book entry, enter it first by pencil and make the entry permanent by pen once you have ascertained its accuracy).
- iv) Ensure the signature of the concerned official against the space provided for.
- v) Avoid the use of confusing or double meaning words in the documents.
- vi) Prepare financial statements as per the requirements of the audit reporting.
- vii) Read out the accounts in all VRMC/VRMS meetings.
- viii) Seek the guidance or technical advice of a knowledgeable person in case of any doubt.
- ix) Ensure the correctness of entries through inter-document cross-checking.
- x) Get the accounts audited at regular intervals (just after the closure of each financial year).

After this information input, the trainees may be encouraged to discuss the subject and express their individual opinion about transparency in money management. They may be asked to mention the possible hurdles that may be faced during the process. The steps to be taken to remove such hurdles may be suggested by some of the trainees themselves.

It will be worthwhile to mention in this context that there has to be a balanced approach to maintain transparency in a system, as it should neither be too idealistic in principles nor too lenient in practice.

Concluding Session

Parting Message: A Step towards Community Building

The speaker delivering the parting message has to generate a feeling of commitment towards the new role of the participants, a commitment to use the skills and knowledge acquired during the course. The participants may be asked to remember that:

- I. Money Management is the lifeline of smooth and efficient functioning of the VRMC/VRMS.
- II. Money Management lays a sound foundation of self-sustaining resource management and thereby prepares the VRMC/VRMS to continue their efforts of community development even after the exit point of HCFP's direct support activities.
- III. Money Management creates a favourable atmosphere for participatory development by drawing the attention and interest of a number of development agencies to support VRMC/VRMSs which have earned a reputation of utilising public funds efficiently.
- IV. Money Management provides maximum scope for the best utilisation of HCFP's financial assistance to the VRMC/VRMS.
- V. Money Management opens new avenues of leadership building at the community level and prepares a cadre of committed and competent public leaders.
- VI. Money Management protects the local communities against corrupt practices.
- VII. Money Management enhances feelings of community dignity to negotiate for technical or financial cooperation being offered by the public or private sector.
- VIII. Money Management brings the banking sector closer to local communities and paves the way for more fruitful cooperation between the two sides.
- IX. Money Management checks the risks of local communities in general and VRMC/VRMSs in particular falling victim to litigation because of not spending the funds according to audit rules.
- X. Last but not the least, Money Management also helps every individual member of the VRMC/VRMS to make optimum use of family resources and also to develop the capabilities of an efficient entrepreneur.

These ten dimensions of money management should be viewed as a message of wisdom coming from the ten directions (Dash Disayen) of the Universe and hence be followed conscientiously.