



# FINANCIAL MANAGEMENT FOR NSOs

**Vol. 2:**  
Budgeting, Fixed Assets,  
Inventory and Procurement





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Creating a Better World

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# **FINANCIAL MANAGEMENT FOR NSOs**

## **Vol. 2:**

Budgeting, Fixed Assets,  
Inventory and Procurement

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## Introduction

Strengthening support for National Scout Organizations (NSOs) in the area of financial management was one of the objectives of the World Triennial Plan 2017-2020. As we collectively face the impact of the COVID-19 global pandemic, providing support to NSOs for transparent and accurate management of finances will be critical. To accomplish this within NSOs, steps are needed to map the financial reality and budget implications as well as understand how to best leverage existing financial and physical resources. This area of importance is also part of building the NSO's image as a responsible and stable partner for initiatives contributing to the development of the Scout Movement.

**Financial Management for NSOs** is a three-part Toolkit providing explanations of the topics presented, examples of solutions and references to further resources.

\* **Volume 1** guides NSOs through the basics of financial accounting and financial roles within an NSO

\* **Volume 2** describes budgets and the budgetary process, including information about the fixed assets register, inventory and procurement procedures and guidelines

\* **Volume 3** unveils advanced topics of financial reporting and financial control

The information and solutions presented through the Toolkit are designed to help NSOs move towards effectively utilising available resources and obtaining financial stability and growth. Achieving this will ultimately help the NSO raise finances through lower cost expenditure, maximize their income and expand their capital value in the long-term. The toolkit is kept as simple as possible to serve as a reference for NSOs on various stages of development. More resources and relevant support in the area of financial management is available to NSOs through the **WOSM Services**.

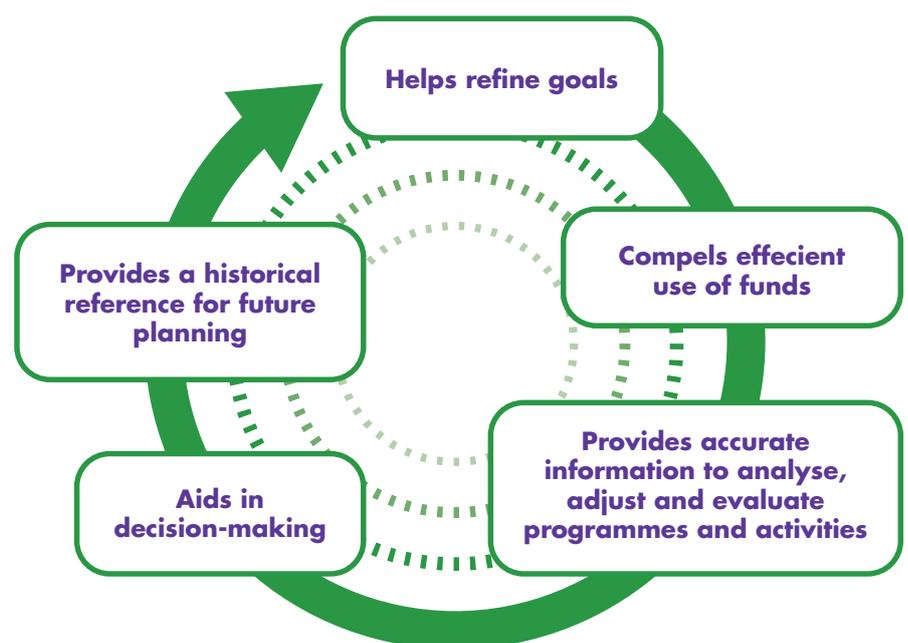


## Budgeting

A budget is a plan that outlines an organisation's financial or operational goals.

### Why Budgeting is Important

Budgeting is potentially an organisation's most valuable future planning and management tool, but only if budgets are carefully planned and monitored. It helps to allocate resources, evaluate performances and formulate actionable plans for the future.



## 1. Budget Terminology

<b>INCOME</b>	<b>Contributed Support:</b> Income the organisation obtains in support of its particular mission, such as individual donations, bequests or foundation grants.
	<b>Earned Revenue:</b> Income the organisation obtains by providing goods/services in exchange for membership fees.
	<b>Net Assets Released from Restriction:</b> Income recognised for use when donor-designated restriction (time or purpose) has been met, e.g. funds that are restricted for a particular activity are 'released' for use as the costs to run the programme are incurred.
<b>EXPENSE</b>	<b>Operational Expenses:</b> Organisational expenses are categorised based on the activity that incurs them. This way of categorising costs is driven by the requirements of the <i>Generally Accepted Accounting Principles (GAAP)</i> . Expenses are categorised as either <b>programme services</b> (activities that result in goods/services being distributed to members in order to fulfil the mission for which the organisation exists) or <b>supporting services</b> (activities other than programme services, including management/administrative and fundraising).
	<b>Fixed Costs:</b> Expenses that have to be paid by the organisation regardless of the revenue generated. These costs do not change when services increase/ decrease. For most organisations, basic operating expenses like salaries, rent and insurance fall into this category.
	<b>Variable Costs:</b> Expenses that increase/decrease depending on the number of services provided. For example, cost of workshop personnel and supplies vary with the number of sessions offered, cost of meals vary with the number of participants served, and cost of filing fees vary with the number of legal orders filed.
<b>OTHERS</b>	<b>Change in Net Assets:</b> The overall financial result of an organisation over a specific period, i.e. month, quarter, year. This is calculated as total income minus total expense. When this result is positive (surplus), the organisation is building reserves. When negative (deficit), the organisation is drawing from reserves.
	<b>Reserves:</b> Unrestricted cash that is available as backup against unexpected events, losses of income or significant unforeseen expenses. For most non-profits, reserves are built up over time with small annual operating surpluses. When an organisation runs a deficit, it is depleting its reserves. Reserves are reflected on the organisation's Statement of Financial Position (Balance Sheet) as Unrestricted Net Assets.
	<b>Support Documentation:</b> Written information attached to the budget that provides backup details and depth to support particular line item figures, e.g. salary schedules, fundraising plans, enrolment projections, restricted funds schedule, depreciation schedule, etc.

## 2. Pre-Budget Considerations

A good budget supports its purpose and is easy to use. It should include:

- Adequate level of detail
- All relevant income and expenditures
- Costs that are clear, justified and accurate
- Explanatory notes provided where needed

Knowing your NSO's priorities, objectives and goals will help your team when it is beginning to prepare its budget. Before beginning, discuss the following questions:

- What is the time period you need to work with?
- What does your team want to accomplish?
- How will you accomplish this?
- How much will it cost?
- Where are the funds coming from?

Once these questions have been answered, you are ready to begin preparing the budget.

## 3. Tool for Planning and Monitoring

### Budget Planning

An organisation will often revisit goals, priorities and activities as it plans for the future. This is a healthy and necessary time of annual reflection, and also one of the primary reasons for beginning the budgeting process several months before year end. This allows for planning ahead financially, to ensure that the necessary funds are available to achieve organisational goals.

### Monitoring and Evaluation

Once adopted, the budget becomes an essential financial management tool to help monitor and evaluate ongoing organisational activities throughout the year. With each reporting cycle, the organisation compares actual performance against its plan. For example, if a programme is costing more than anticipated, it may be necessary for management to bring costs down through staff reductions or a freeze on non-personnel expenses. Alternatively, management may decide to revise the plan to take the higher level of expense into account.

## 4. The Budgeting Process

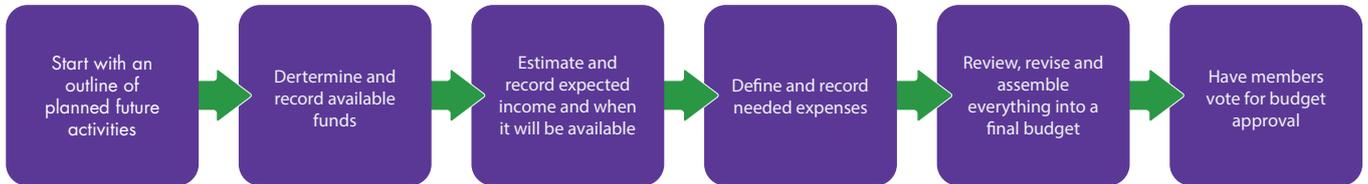
In order for an organisational budget to be accurate, effective and uniting, the budgeting process must be inclusive. While the executive director and key finance staff often play a coordinating role, the upper management team is usually involved in the process by providing information and preparing, checking and approving budgets.

### Who does the work of developing the budget?

ROLE	RESPONSIBILITY	OBSERVATION
<b>Finance Committee</b>	<i>Discuss and approve the annual budget for all programmes and operations</i>	The budget represents a key policy document for the NSO and sets limits to authority. It must be endorsed by the FC and approved by the higher governing body of the NSO.
<b>Secretary General</b>	<i>Oversees the annual budgeting process and timeline</i>	The SG may choose to delegate coordination of the budgeting process to the finance director.
<b>Head of Department</b>	<i>Prepare budget guidelines and assumptions, e.g. salary scales, inflation rate</i>	Department heads provide clear direction and advice to developing budgets to ensure consistency and timely completion.
<b>Finance Director</b>	<i>Produce detailed budgets for activities</i>	The FD is in the best position to produce accurate and complete budgets for activities.
<b>Finance Team</b>	<i>Support the budgeting process, e.g. provide data on previous activities, advise on costs, summarise and consolidate budgets</i>	This team provides important technical support and information for the budgeting process.

## 5. Preparing the Budgeting

As budgets are prepared, ensure that it is flexible enough to anticipate conditions that may have been overlooked during the planning process. The estimated budget will help NSOs to forecast and anticipate the likely financial outcome at the end of the current financial year, and also provide financial insights for the following year. To prepare your budget:



## 6. Managing the Budget

As budgets are prepared, ensure that it is flexible enough to anticipate conditions that may have been overlooked during the planning process. The estimated budget will help NSOs to forecast and anticipate the likely financial outcome at the end of the current financial year, and also provide financial insights for the following year. To prepare your budget:



## 7. The Seven Stages of Budgeting

As budgets are prepared, ensure that it is flexible enough to anticipate conditions that may have been overlooked during the planning process. The estimated budget will help NSOs to forecast and anticipate the likely financial outcome at the end of the current financial year, and also provide financial insights for the following year. To prepare your budget:

<b>DESIGN THE PROCESS</b>	<b>Determine the roles and processes</b> that will yield the most effective information gathering, analysis and decision-making.
	<b>Develop a timeline</b> that meaningfully engages multiple perspectives and ensures approval prior to the fiscal year end.
<b>SETTING EFFECTIVE GOALS</b>	<b>Assess</b> current alignment of organisational values to resource management decisions.
	<b>Reflect</b> on financial successes and failures and document learning.
	<b>Identify opportunities and threats</b> likely to influence your work (both programmatic and financial), which can have an effective impact on revenue planning and cost structure.
	<b>Evaluate current financial health</b> by analysing the current year-end forecast, current budget variances and balance sheet strength, and articulate the impact on capitalisation and surplus needs.
	<b>Name the values, goals and priorities</b> that should be reflected in this year's budget.
	<b>Identify what you need to focus on</b> in this year's budgeting process, based on organisation's values, goals and priorities.
<b>DECIDING ON THE BUDGET STRUCTURE</b>	Develop a structure that <b>best supports organisational objectives</b> and incorporates elements of the previous year's financial estimates.
<b>ESTIMATION OF COSTS</b>	<b>Name cost centre categories</b> based on your budget structure, e.g. programmes, admin, fundraising; restricted, unrestricted, project specific, change capital, etc.
	<b>Review compensation structure and staff time</b> deployment in context of organisational values, goals, and priorities. Identify compensation and staffing priorities for the coming year.
	<b>Calculate fixed expenses</b> for the coming year, including increases in rental space, estimates for insurance premiums, planned software purchases, etc.
	<b>Conduct deeper analysis on areas of particular risk</b> , e.g. new/unknown costs, areas of prior year over- or under-spending.
	<b>Develop support schedules</b> that substantiate areas of greatest dollar amounts and risks, e.g. enrolment expectations, release schedule for restricted funds, detailed fundraising plans, foundation prospect likelihoods.
	<b>Design cost allocation process</b> , if applicable.

<b>FORECASTING OF INCOMES</b>	<b>Calculate fixed income</b> for the coming year, including secured contracts, restricted grants, membership fees, donations.
	<b>Conduct deeper analysis of risks</b> , such as contracts to be secured, or new/increased fund development efforts.
	<b>Develop support schedules</b> that substantiate areas of greatest dollar amounts and risks, such as enrolment expectations, restricted funds release schedule and detailed fundraising plans.
<b>DRAFTING BUDGET AND DOCUMENT DECISION POINTS</b>	<b>Discuss potential risk areas</b> in income and expenses with an analysis of the current context and determine level of risk tolerance.
	<b>Create a consolidated budget spreadsheet</b> , including any potential scenarios and all support schedules that were developed during the process.
	<b>Develop an initial draft</b> and verify that it addresses the values, goals and priorities named.
	<b>Share draft with senior management team</b> for feedback.
	<b>Adjust draft as needed</b> to account for feedback and ensure alignment between named values, goals, and priorities and capacity/funding.
	<b>Document</b> all assumptions and potential decision points.
<b>BUDGET IMPLEMENTATION</b>	<b>Present budget to finance committee for approval</b> , focusing discussion on potential decision points and areas of risk to be monitored.
	<b>Clarify roles and decision-making processes</b> to support effective budget monitoring.
	<b>Design reports for budget-to-actual monitoring</b> , determine timeline for distribution and process for feedback.
	<b>Maintain rolling projection</b> , updated as new information comes in.
	<b>Monitor reports regularly</b> and respond to changes as needed.

# Budget Worksheet Template

The illustration for a budget template can be adapted for your NSO.

GL Code	Travel Code	Acc description	Type	Year of Period	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Total	
Income																		
		Unrestricted Donation & Grant	GRANT	XXXXX	-	-	-	-	XXXXX	-	XXXXX	-	-	-	XXXXX	-	XXXXX	
		Restricted Donation & Grant	GRANT	XXXXXX	XXX	-	XXXXX	-	-	-	-	-	-	-	XXXXX	-	XXXXXX	
		Other Income	DONATION	XXXXX	-	-	-	-	-	-	XXXX	XX	-	-	-	XXXXX	XXXXX	
		<b>Total Operating Income</b>		<b>XXXXXXX</b>	<b>XXX</b>	<b>-</b>	<b>XXXXX</b>	<b>-</b>	<b>XXXXX</b>	<b>-</b>	<b>XXXXX</b>	<b>XX</b>	<b>-</b>	<b>-</b>	<b>XXXXX</b>	<b>XXXXX</b>	<b>XXXXXXX</b>	
Expenditure																		
		Staff costs	STAFF	XXXXX	X	X	X	X	X	X	X	X	X	X	X	X	X	XXXXX
		Rent	PREMISE	XXXX	X	X	X	X	X	X	X	X	X	X	X	X	X	XXXX
		Electricity	PREMISE	XXXX	-	-	-	X	X	X	X	-	-	-	-	-	-	-
		Water	PREMISE	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Cleaning	PREMISE	XXXX	-	-	-	-	X	-	-	-	-	-	-	X	-	XXXX
		Building Maint.&Repair	PREMISE	XXXX	-	-	-	-	X	-	-	-	-	-	-	X	-	XXXX
		Property Insurance	PREMISE	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Office Supplies	ADMIN	XXXX	-	X	X	X	X	-	-	-	-	-	-	-	-	XXX
		Telecom.	ADMIN	XXXX	-	-	-	X	-	-	X	-	X	-	-	-	-	XXX
		Mailing & Postage	ADMIN	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Printing & Photocopies	ADMIN	XXXX	X	-	-	-	-	-	-	-	-	-	-	-	-	XX
		Equipment Maint.&Repair	ADMIN	XXXX	X	-	-	-	-	-	-	-	-	-	-	-	-	XXX
		Other Insurance	ADMIN	XXX	X	-	-	-	-	-	-	-	-	-	-	-	-	XX
		Books & Subscriptions	ADMIN	XXX	XX	-	-	X	X	X	X	X	-	-	-	-	-	XX
		Miscellaneous	ADMIN	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		External Audit	CHARGES	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Internal Audit	CHARGES	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Secretarial Fee	CHARGES	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Vehicles	CHARGES	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Hospitality	CHARGES	XXXX	-	X	-	X	-	X	X	X	-	X	X	-	-	XXXXX
		Office Equipment	CHARGES	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Software	INFOTECH	XXX	-	X	-	X	-	X	X	X	-	X	X	-	-	XX
		Hardware	INFOTECH	XXX	-	X	-	X	-	X	X	X	-	X	X	-	-	XX
		Consumables	INFOTECH	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Internet services	INFOTECH	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Depreciation	DEPRECIATION	XXXX	X	X	-	X	-	X	-	X	-	-	-	-	-	X
		Creation of Provisions	CHARGES	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		<b>Total Operating Expense</b>		<b>XXXXXX</b>	<b>XXXXX</b>	<b>XXXXXX</b>												
		Financial Cost	FINANCE		X	X	X	X	X	X	X	X	X	X	X	X	X	XXX
		<b>SURPLUS / (DEFICIT) - AFTER ALLOC</b>		<b>XXXXXX</b>	<b>XXXXX</b>	<b>XXXXXX</b>												



## ■ Fixed Assets Register

It is the responsibility of the finance/accounts manager to maintain a complete and accurate fixed asset register. The fixed assets register is maintained on an Excel spreadsheet or a book, and it should contain the following details:

Identification or serial number	Acquisition date	Description of asset	Location
Class of asset	Cost of acquisition	Accumulated depreciation	Net book value

The finance/accounts manager should ensure that all assets are tagged with identification codes. All classes should begin with the prefixes itemised below, followed by a unique 3- or 4-digit number for each specific item. For example, an office desk for reception falls under the Furniture & Fittings class and is identified by the code FF/OD/001:

FF – Furniture & Fittings

OD – Office Desk

001 – Unique numerical identifier for the desk at reception

**PROCESSING DEPRECIATION**

At the end of every month, the accountant should prepare a depreciation schedule for each of the items using depreciation rates described in the subsection.

The finance manager should review the schedules and sign them as evidence of his or her review. The accountant should also update the fixed assets register based on the reviewed depreciation general journal.

**ACCOUNTING FOR FIXED ASSETS ADDITION**

- Recording and payment for the acquisition of fixed assets shall be as per payment procedures.
- On delivery, the asset shall be classified, tagged and recorded in the fixed assets inventory register.

**ACCOUNTING FOR DISPOSAL OF ASSETS**

- The board of the organisation must approve the disposal of fixed assets. No assets should be disposed without the written authorisation of the board.
- The finance/accounts manager should prepare a journal to record the disposal. The journal should include an adjustment for the revaluation, if any.
- If the disposal is a cash sale, the accountant should issue a general receipt.



## Inventory

This refers to material goods your organisation has on hand or in storage. It can mean either raw materials that will be used to create finished products for sale or finished goods themselves.

The government requires businesses that sell inventory to use a certain accounting method.

- If your organisation reports inventory on hand at the end of the year, you must use accrual accounting.
- If your organisation does not, you can use cash-basis or accrual accounting.

### How to set up an inventory tracking system



Forecast Needs



Reduce unnecessary spending



See Market Trends

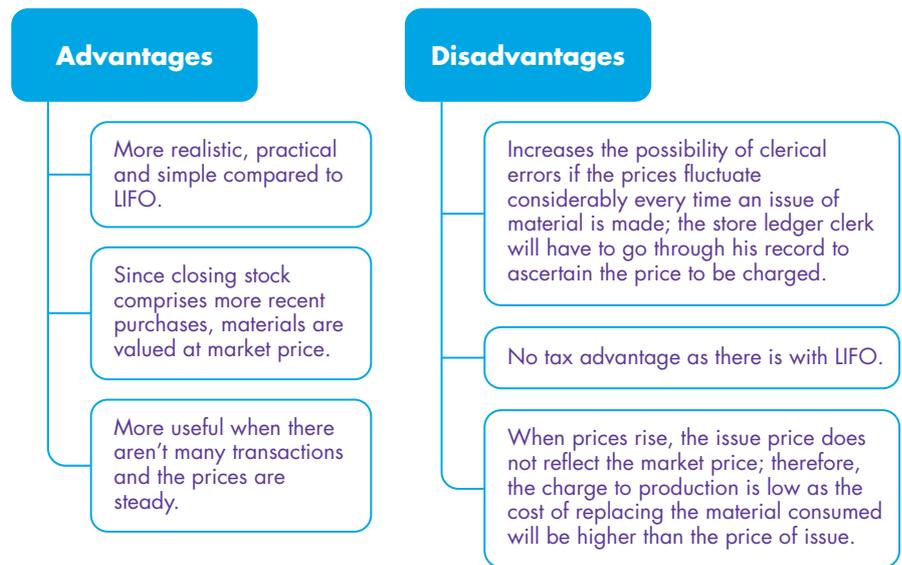
- If you plan to sell products, you must carefully keep track of inventory. As you buy and sell goods, make a note of all incoming and outgoing inventory. This will help you forecast needs, reduce unnecessary spending, and see market trends.
- It is important to monitor how much inventory you use, how long it stays within the organisation, and how much profit it earns. Periodically, count your inventory to make sure your records match what you actually have in stock.
- You can use an inventory management solution or spreadsheet to track inventory. An effective inventory management system includes a maximum/minimum base line and re-order level (ROL).

## 1. Inventory Evaluation Methods

There are three inventory valuation methods: First In, First Out (FIFO), Last In, First Out (LIFO), and Weighted Average Cost (WAC).

- The FIFO method is based on the perception that the first inventories purchased are the first ones to be sold.
- The LIFO process is mainly used to place an accounting value on inventories. It is based on the theory that the last inventory item purchased is the first one to be sold.
- The WAC concept is most applicable to lengthy production runs, as might be found for highly standardised products that are produced and sold in large quantities.

### Using the FIFO Method



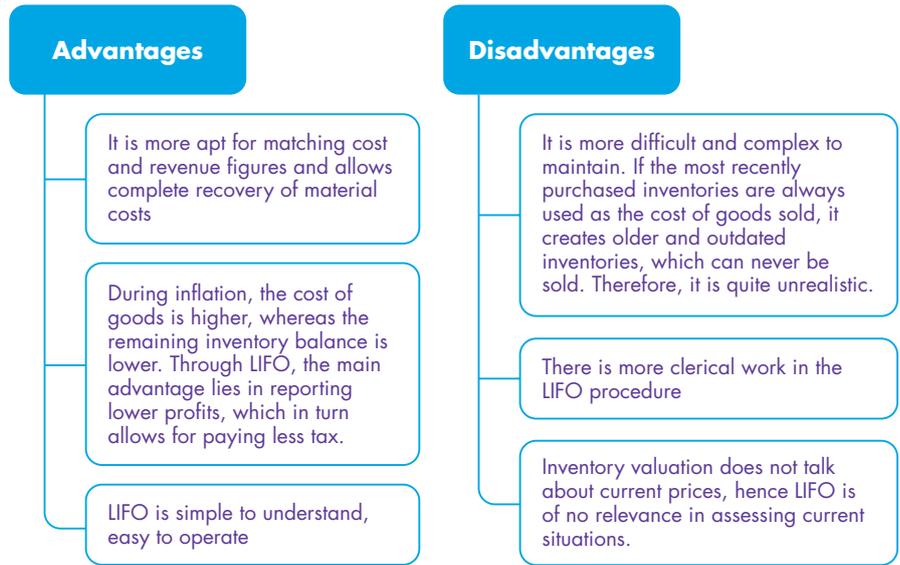
### Applying the FIFO Method

Using the FIFO method, the value of our closing inventories would be calculated as follows:

Date	Details	Number	Price/Unit	Value
June 1	Purchases 1,000 notebooks @ \$10 each	1,000	\$10	\$10,000
June 10	Purchases 500 notebooks @ \$12 each	1,000	\$10	\$10,000
		500	\$12	\$6,000
		<b>1,500</b>		<b>\$16,000</b>
June 18	Sells 400 notebooks @ \$2 each	600	\$10	\$6,000
		500	\$12	\$ 6,000
		<b>1,100</b>		<b>\$12,000</b>

Therefore, our closing inventory comes to \$12,000. This equates to a cost of \$10.90 per book (\$12,000/1,100 Books).

## Using the LIFO Method



## Applying the LIFO Method

The value of our closing inventories would be calculated as follows using the LIFO method:

Date	Details	Number	Price/Unit	Value
June 1	Purchases 1,000 notebooks @ \$10 each	1,000	\$10	\$10,000
June 10	Purchases 500 notebooks @ \$12 each	1,000	\$10	\$10,000
		500	\$12	\$6,000
		<b>1,500</b>		<b>\$16,000</b>
June 18	Sells 400 notebooks @ \$2 each	900	\$10	\$9,000
		0	\$12	0
		<b>900</b>		<b>\$9,000</b>

Using the LIFO method, our closing inventory comes to \$9,000. This equates to a cost of \$10 per book (\$9,000/900 books).

## Using the WAC Method

The WAC method assumes that we sell all our inventories simultaneously. It specifically involves working out an average cost per unit at each point in time after a purchase.

## Applying the WAC Method

Using the example below, the value of our closing inventories would be calculated as follows:

Date	Details	Number	Price/Unit	Value
June 1	Purchases 1,000 notebooks @ \$10 each	1,000	\$10	\$10,000
June 10	Purchases 500 notebooks @ \$12 each	1,000	\$10	\$10,000
		500	\$12	\$6,000
		1,500		\$16,000
Therefore, the average cost per book is \$16,000/1,500 books, which comes to \$10.67.				
June 18	Sells 600 notebooks @ \$2 each	1,500	\$10.67	\$16,000
		900	\$10.67	\$ 9,603

Therefore, our closing inventory comes to \$12,000. This equates to a cost of \$10.90 per book (\$12,000/1,100 Books).

As part of inventory management, create a list of your vendors with their contact information for ease of reference.

### SOME KEY POINTS:

- The value of an inventory item in your books is the amount you paid for it.
- Recording the purchase of an inventory item increases the value of the Inventory Asset account on your Balance Sheet report by the cost of the item and increases the Quantity on Hand units for that item.
- Recording the sale of an inventory item decreases the value of the Inventory Asset account by the original cost of the item and decreases the Quantity on Hand units for that item.
- Recording this sale also increases the Cost of Goods Sold (COGS) account by the original cost of the item and increases the Sales of Product Income account by the amount your customer paid you for the item. The difference between the income amount and the COGS amount is your gross profit on that item.



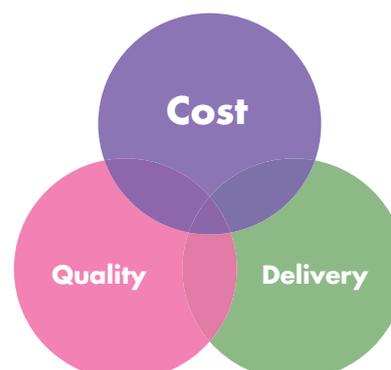
## ■ Procurement

The NSO must define their recurrent activities (more or less all goods and services purchases), as it is necessary when creating the “Procurement Procedure for NSO” document. This document should be adapted to the reality of the NSO, country and budget, authorisation levels, people involved and other factors.

A procedure helps to establish a regulatory framework required by NSOs. This in turn:

- Improves and ensures transparency in the management of purchases by NSOs
- Generates savings and benefits for the NSO by increasing bargaining power
- Establishes adequate controls over purchases and acquisitions, seeking better prices and negotiations with suppliers
- Determines the responsible persons for purchasing management
- Achieves uniformity and homogeneity in the processing of purchases to avoid subjectivity in the selection of the supplier of products or services
- Detects deviations in the activity and consolidate the control environment
- Avoids conflict of interest in purchases and hiring

The procurement processes in an NSO must ensure the most rational and cost-effective use of resources. The goods or services acquired must serve to add value to the NSO, both in the short and in the long-term. These processes must follow a multiple quotation scheme for the supply of products and services, in order to have an appropriate amount of information to make the best possible decision.



## 1. Procurement Procedures

- Identify the requirement of needs.
- Verify the amount of the purchase and identify the levels of authorisation.
- Determine the terms of reference or specific details of the item or service required.
- For recurring items, establish a supplier qualification procedure (it can be about 2-4 for each type of product, good or service).
- Request at least 3 quotes for purchases exceeding a previously established amount (for example, 3% of the annual budget, or unbudgeted purchases).
- Select the quotes that meet the required specifications with the best negotiating terms.
- Prepare the purchase order with sequential numbering for filing and control ease.
- Inform the supplier and the person in charge of receiving the merchandise or service.
- Receive the merchandise or service according to the purchase order, verifying that it is correct in quantity and quality.
- Request the invoice / receipt or valid fiscal document that supports the purchase made.
- Inform the accounting department or the treasurer, for the issuance of the corresponding payment.
- Make the payment to the supplier according to the agreed negotiation terms.
- Register the purchase and / or inventory entry.

## 2. Purchase Guidelines

A purchasing officer must be assigned as a custodian for purchases - this may be a volunteer or an executive of the NSO.

- Avoid conflicts of interest, hiring or purchasing from members of the National Council, Executive Committee, and national team.
- If the above ends up being the best option, ensure that the sufficient supporting documents with at least three additional quotations is submitted to a purchasing committee (a decision of at least 3 people) to ensure transparency and fairness.
- Verify that providers are legally operating and their activities do not contradict the principles and values of Scouting.
- Define the levels of authorisation responsibility in purchases - look at the following table as an example:

AMOUNT OF PURCHASE (EXAMPLE)	% OF ANNUAL INCOME OR % OF THE ANNUAL BUDGET (EG \$100,000 BUDGET)	AUTHORISATION	COMMENTS
\$1 - \$100	<0.1%	Custodian of petty cash or responsible for a specific fund	Petty cash regime; this procedure does not apply
\$101 - \$5,000	0.11% - 5%	Purchasing / Procurement Manager or responsible person	Minimum 3 quotes (payment with check, transfer, or others through the banking system) with two signatures
\$5,001 - \$50,000	>5% - <50%	Executive Director or Chairperson	Private bidding (inviting suppliers to participate), verification of terms of reference
> \$50,000	>50%	National Board	Public tender, revision of terms of reference, selection of suppliers within the National Council or its equivalent
> To budget / income of 1 year	>100%	National assembly	Purchases / contracts that exceed the 1-year public tender will require authorisation from the National Assembly of the NSO or its equivalent

- It is important for NSOs to maintain a database of an approved panel of suppliers with purchased items and updated prices. This panel must be reviewed periodically or upon contract renewal.
- Periodically review the prices received with those available in the market.
- Carry out negotiations for long-term sales relationships with suppliers that benefit the NSO in credit payments, discounts and product bonuses.
- If possible, carry out a preliminary planning of recurring purchases to adjust the budget and the payment availability of the NSO.
- Check the cash flow or income to ensure timely payment to suppliers, as Scouts must be the first to meet our contractual commitments.
- Keep an updated inventory of the goods belonging to the NSO and the new assets acquired that are representative, such as fixed assets, merchandise of the Scout store and items that can be used in subsequent events.
- Make exclusive purchase agreements for one year to suppliers that provide better conditions for purchase, (such as shorter delivery time, longer terms for credit, etc.).

## Helpful Tips

- For NSOs with accounting systems, try to make the accounting record in a maximum of 2 days after receiving the merchandise, as well as the respective entry and registration in the corresponding inventory.
- For NSOs that do not have accounting system, keep a record (e.g on Microsoft Excel) of the purchases made, as well as details of the invoice, ticket, receipt or document of purchase. This will allow you to verify the description, date of the document and the date of receipt of the goods or service, as well as the amount of purchase and the payment status (pending, or date on which they agreed to pay).
- Keep a record of the goods purchased as fixed assets and perform a verification of Fixed Assets at least once a year.
- Give good use to the goods and services acquired, which are for the operation of the NSO or its relevant purposes.
- Make detailed contracts for extraordinary acquisitions (buildings, vehicles, and others where the value is significant to the operation of the NSO).
- Include clauses for non-compliance of contract, delivery of defective products, or services with lower quality than agreed. If the supplier fails to comply with the terms of the contract or the terms of reference, a discounted payment should be applied, or a fine/abstention of payment can be applicable, depending on circumstances.
- For recurring suppliers, try to conduct negotiations based on annual amounts. Conduct an annual review to see if it is necessary to improve the negotiation conditions.

### EXAMPLE 1

For office supplies, make a single monthly or bi-monthly purchase to benefit in discounts for purchases in quantity.

### EXAMPLE 2

When contracting services for events such as Jamborees, include a penalty clause for non-compliance. For example, for a catering services clauses can be included for non-compliance to health conditions, food temperature, inadequate portions, etc.

### EXAMPLE 3

For annual planning of purchases such as to the supplier of Scout uniforms, plan for a bulk order negotiation throughout the year instead of a lower number. For example, work with a number of 1000 – 1500 uniforms instead 50 -100. This will allow for better pricing and conditions that are more beneficial to the NSO. Deliveries can also be negotiated as required.

## RESOURCES

Handbook on Financial Resources Management and Development (2007, WSB-APR) (DC OK) in English.

Download: <https://www.scout.org/node/6108>

Publication: Are we doing it right? – some do's and don't's in the management of non-profit organizations, by H. Eric Frank (© 1983, World Scout Bureau, Geneva) (in English) (44 pages). OUT OF PRINT. (DC-578.13) In Repository dossier 8270 under Management.

Download: <http://scout.org/node/6196>

Publication: Could we do better? by H. Eric Frank (September 1997, published by World Scout Bureau/Asia-Pacific Region, Manila, Philippines) (in English) ISBN 971-91927-1-2. (DC-578.13).

Download: <https://www.scout.org/node/22295>

Risk Management: Publication: Guideline on Risk Management Policy (June 2010) (WOSM/Asia-Pacific Region) (in English) (23 pages, A5) (DC-578.13 and in library APR section).

Download: <https://www.scout.org/node/6194>







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