Financial Policies and Procedures Manual
for
Action for Humanitarian Support and Recovery

Action for Humanitarian Support and Recovery

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Facilitated by

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FOREWORD

Action for Humanitarian Support and Recovery(AHSR) is a civil society Organization established to support and strengthen the capacity of the South Sudanese Civil populace to bring about positive changes in their lives and well-being of communities in the Republic of South Sudan. AHSR is committed not just to giving relief food and financial support but also providing a wide range of training, technical assistance and coaching and mentoring to the returnees, displaced and people who are in need aimed at improving their wellbeing and livelihood.

Action for Humanitarian Support and Recovery known as AHSR will provide customized capacity strengthening support to AHSR through training, "one on one" mentorship. Apart from giving them relief, they work with the needy people to empower them on Gender Base Violence free nation, Education of Girl child, Civic Education, Advocacy programs and Good governance. In the reality of post independent South Sudanese, who's development is hampered by increasing public debt and fiercely competitive international markets, it has emerged as empowering the less fortunate people in the communities will initiate development initiatives which is the 'felt needs' approach.

South Sudanese CSOs continue to play an important role in supporting communities and groups to organize and to make their voices heard and in ensuring that their needs and priorities are known to decision makers. Within the CSO landscape in South Sudan, interesting and innovative ideas are not only found in solid, mature organizations, rather also in nascent organizations with less developed systems. Further, some of these nascent organisations have demonstrated commitment to act on issues affecting the communities or groups they represent. AHSR does not want to exclude these meaningful contributions because of their seeming lack of formal structures and or limited organisational capacities. Therefore, AHSR's commitment is not only to established organizations but also includes Humanitarian support and recovery plans to bringing up these nascent CSOs.

AHSR recognizes that each CSO's financial manual will be different, reflecting their size, complexity and ways of working. This manual can be used by CSOs of all sizes either as it is but should preferably be contextualized to each CSOs organisational context. The same can also be used a basis of updating existing manuals, for CSOs who already have such.

While the *Financial Policies and Procedures Manual* will generally be used by finance staff, it should be availed to all staff who one way of another are concerned with stewardship of the AHSR resources. These include amongst others the board members, managers and other project staff.

We hope you find it useful!

CHAPTER 1: BACKGROUND INFORMATION

1.1 Purpose, Maintenance and Administration of the Manual

- The manual sets out policy guidelines on the major operating issues and concerns of the organisation. Should the need for clarification arise on matters not specifically provided for in the manual, the Finance Manager/Finance Officer/Assistant will provide such interpretation.
- The Finance Manager/Finance Officer/Assistant is responsible for the general administration of the manual.
- The users of this manual will include all finance and administration staff; the management (oversee compliance); Auditors (establish compliance with policies); and Board members (develop policies, approve reviews).
- The manual will be shared with all staff to ensure sufficient understanding and uniform use.
- Any additional control, procedures or policy requirements by donors shall be implemented as per the requirements and or agreement with any such donors.

1.1.1 Purpose of the Manual

This manual aims to amongst others:

- To define the financial policies, controls, systems and procedures.
- To give guidance on financial reporting requirements.
- To ensure a uniform accounting practice across the organisation, even where staff change.
- Facilitate a strengthened organizational management and financial controls.
- Ensure compliance with relevant local laws and statutory regulations.

1.1.2 Manual Maintenance

- The Manual will be formally reviewed every two (2) years. This may be supported by consultants. Any amendments, revisions or policy changes to this manual have to be approved by the board.
- In case of a conflict between stipulations of the manual with the Laws of South Sudan, International Accounting Standards (IAS) or Generally Accepted Accounting Principles (GAAP), the South Sudanese law shall prevail or both in that order.

1.2 Accounting Policies

1.2.1 Basis of Accounting:

- The organisation shall adopt a cash basis of accounting. Further the following accounting principles shall apply:
  a) Transactions shall be recorded at the purchase price on the date of the transaction.
  b) Annual accounts are prepared on a consistent basis implying that the organisation will follow the same accounting methods from one year to the next. Any changes in the methods must be reported

1.2.2 Income

- Income is recognized in the financial statements on the date funds are received or when confirmed to have been remitted

1.2.3 Expenditure

- Expenditure is recognized when payments are made.
- Expenses that are directly related to a specific program are to be charged 100% to that program.
- Overheads and expenses related to more than one project are to be allocated across such projects using basis such as staff time allocation, percentage donor contribution to overall budget etc.

1.2.4 Currency

- The financial statements are reported in South Sudanese pound (base currency). Transactions in other currencies are changed to SSP at rates of exchange ruling on the dates of the transactions.

1.2.5 Financial Year:

- The financial year of the organisation shall run from 1st January to 31st December each year.

1.2.6 Property, Equipment and Depreciation

- Fixed property and equipment bought using grants/donor funds will be directly expensed
- All property and equipment shall be maintained in an asset register that will be updated regularly with additions and disposals.
- Property and equipment shall be depreciated using straight line method over their respective useful lives at the following rates:
  a) Motor vehicles - 25%
  b) Furniture and fittings - 12.5%
  c) Computers and accessories - 30%
  d) Equipment - 12.5%

1.3 Other General Policy Guidelines

- The Coordinator/Director shall ensure adequate segregation of duties. To ensure segregation of duties, an employee should not have duties in all the three categories of authorization, administration and implementation e.g. staff should not perform a procedure and approve the same procedure.
- The Coordinator/Director and or the Board of the organisation must sign all documents associated with acts of extraordinary administration for example:
  a) Pledging the organisation assets or taking any loans/debt on behalf of the organisation
  b) Loaning the organization's assets and or waiving debts legitimately owed to the organisation
  c) Converting the organization's assets to personal use;
  d) Initiating or responding to any lawsuits.

CHAPTER 2: FINANCIAL PLANNING AND BUDGETING

2.1 Overall Budget Policies

- To properly carry out its financial responsibilities, the organisation shall develop and work with financial budgets for each financial year.
- Budgets need to be supported with detailed objectives and activities (project plans).
- Budgets will be generated by costing activities generated by project staff as well as items specified by administrative staff. If possible, budgets should be activity based.
- Budgets need to contain explanatory notes giving full details of how budgetary figures are arrived i.e. budget calculations should be done as support to each budget.
- The budget for each project should also show how much administrative recovery can be charged to cover the costs of overheads/support costs.
- Budgets should be balanced. Deficit budget must be avoided. If the budgeted expenditure exceeds expected funds, expense reduction or possible soliciting of additional funds will be explored.
- Once budgets are approved, revisions can be done only if there are material external changes. Such changes will have to be approved by the management.
- Comparison of actual revenue and expenses with budgeted figures will be accomplished by the Accountant/Finance Officer/Manager monthly. Any variance of more than 10% needs to be explained by the budget holder. Appropriate actions such as review of activity plans or budget reviews will be taken to remedy discrepancies, if any.
- New project budgets are prepared on Zero based budgeting basis; while multi-year budgets can be on incremental basis.

2.2 Budget Preparation and Approval (Budget Cycle)

- Budget preparation shall be zero based as different projects are implemented in different phases.
- Budget cycle shall be determined by the project phase of six (6) months to one (1) year as determined by the organisation and any other donors from time to time.
- The size of the budget shall depend on the activity levels of the organization or donor limits.
- The budgeting process starts by all staff overseeing projects/ units generating activities & budgets for their respective projects/ areas
- Budgets are shared with finance for review (check if: costs are reasonable, well calculated, complete, fit donor requirements)
- The finance staff will then consolidate all individual budgets into an organisational-wide budget
- Subsequently the finance staff will share budgets wit management for review; the finance/ programs the incorporate management's feedback, if any
- Budgets are formally approved by management and or board Chair-Person
- For annual organisational-wide budgets, it is necessary to start planning early enough to provide sufficient time for review and approval ahead of implementation. Specifically, the budget planning process should start in October and follow the following procedure:
    a) *October:* All staff reviews their previous years budgets with the Accountant/Finance Officer/Manager to evaluate what will be continued, revised, or added (new) for the coming year. The unit heads/ program officers then prepare an initial line item budget to be submitted to the Management team via the Accountant/Finance Officer/Manager by 20th October for review

b) *November:* The Accountant/Finance Officer/Manager and department heads/ project officers would then incorporate management suggestions into a refined balanced budget by 20th November

c) *December:* The budget is submitted to the board by the Coordinator/Director by 5th December for approval ready for implementation for the following year.

2.3 Budget Monitoring and Amendments

- Every project Manager/Officer/Units heads must restrict expenditure within the limits of available funds once approval has been done
- The operational budget and plan will be used to guide daily management of expenditures.
- Budget monitoring shall be the responsibility of project Manager/officers or unit heads. The Accountant/ Finance Officer/Manager shall oversee the overall monitoring and reporting.
- Project actual costs are to be prepared by the Accountant/Finance Officer/Manager monthly and these are compared to the (originally) approved budget lines.
- The budget will always therefore be incorporated in the financial reports, to compare actual spending or revenue against what was planned. All variances more than 10% of the budgeted amounts shall be investigated and corrective action recommended.
- Budget amendments must be approved beforehand. Proposals for budget amendments are generated by Accountant/Finance Officer/Manager or project officers and shared with the management, board or donors for approval.
- The finance unit should provide a budget vs. actual income and expenditure report every month to every project officer for his/her projects.
- The project officers are expected to review these reports for accuracy, completeness, as well as level of progress against budget/ plans.

CHAPTER3: ACCOUNTING FOR INCOME, CASH & BANK

3.1 Cash Receipts

- The organisation shall separate the receiving from recording of cash. The Secretary/Cashier will be responsible for receiving and issuing receipts. The cash will then be handed over to the Finance Manager/Finance Officer/Assistant who makes the necessary entries in the cash book before banking the cash.
- All receipts in the name of the organization (cash, cheques) shall be recorded on an official pre-numbered receipt in duplicate or petty cash voucher clearly marked "INCOME".
- All cash receipts should be counted and verified by the Accountant/Finance Officer/Manager before being deposited intact to petty cash box on the same day and banked latest the following banking day. All banking shall be supported by the pay in slips stamped by the Bank.
- Physical handling of cash shall be the responsibility of the Cashier/administrative assistant or any other authorized officer and must be separated from recording and accounting functions.
- Official Receipts will be issued as follows: original copy to payer, donor, or funding agency and the duplicate copy to be kept as file copy (remains in the booklet).
- Unused receipt booklets shall be in the custody of the Accountant/Finance Officer/Manager, and a register of issuances shall be maintained to control the use of receipt books.
- The Accountant/Finance Officer/Manager is expected to record all cash receipts in the Books and posts in the cash receipts book and to the subsidiary ledgers. These should be reconciled to the physical documents periodically.
- The official receipts voucher generated should be filed together with the supporting documents. Receipts should be completed with information on Date; Received from (Payer); Amount in words and figures; Description; Account codes and class; Subsidiary reference and Cashier's signature.
- Whenever a receipt is cancelled, the original shall be left in the receipt book with brief comments as to why it was cancelled. And if another receipt is issued in its place, this should be indicated on the cancelled one e.g. "cancelled, replaced by receipt No……"
- Care should be taken to ensure that funding partner requirements regarding handling of their funds are strictly observed and especially ensuring that all their grants and other receipts for projects are banked in separate bank accounts.
- Cash received should NOT be added to a petty cash float or used to make payments. All cash received will be banked **INTACT**.

3.2 Bank and Cheque Receipts

- All Cheques received should be in the name of the organisation. Received cheques shall be banked the same day or latest the next banking day and deposit slips prepared in duplicate & a copy attached to the receipts and filed.
- The cashier is responsible for issuing receipts. When funds are received, the cashier should immediately issue a pre-numbered receipt, sign it and give the original receipt to the person or organization making the payment.
- One duplicate copy of the receipt should be filed together with the Transaction Journal supporting the entry into the accounting system and the other duplicate copy should be left in the receipt book.

- Whenever a receipt is cancelled, the original shall be left in the receipt book with brief comments as to why it was cancelled. And if another receipt is issued in its place, this should be indicated on the cancelled one e.g. "cancelled, replaced by receipt No……"
- When a check is dishonored, the Accountant/Finance Officer shall communicate with the drawer immediately. The dishonored check shall not be released until the drawer make acceptable alternative payment. The entry of the check shall be reversed in the cashbook.
- All unused receipts shall be placed under lock and key by the Accountant/Finance Officer. It is his /her responsibility to issue more receipt books after the previous ones are completely used and accounted for. A register will hence be maintained showing the serial numbers of the receipts that have been issued and how they are accounted for.

3.3 Direct Transfers by Donors

- Whenever, donors make transfers directly to the bank accounts of the organisation, they often send a message about the same, indicating the exact amount transferred, the bank account to which transfer was made and the grants and projects for which funds are to be used. Some banks also often indicate when such funds are received.
- The person who receives the message from donor or bank should send a reply that the message has been received and inform a defined list of others within the organisation who need to know, including the Coordinator/Director, the Finance Manager/Finance Officer/Cashier (if he is not the one who receives the message) and responsible program staff.
- The Finance Manager/Finance Officer/Assistant is then expected to credit the correct amounts to the projects and grants concerned, and to write a receipt and sent it to the correct donor agency

3.4 Bank Management

- The organisation shall maintain Bank accounts for the safety of its funds. The number of such accounts to be opened and maintained by the organization would depend on its needs from time to time.
- The number of bank accounts should be kept to a minimum necessary to enable the organization to transact its business. All the organization's financial transactions must flow through designated bank account.

3.4.1 Bank Signatories

- Each of these accounts should have a minimum of 2 and a maximum of 3 signatories and the mandate would be at least two to sign. The Director should be a mandatory signatory to all Bank accounts.
- It is advisable to have all the two authorized signatures on any cheque more than SSP/USD 200,000 Permanent records of authorized cheque signatories should be kept as part of the organization's records.
- The Finance Manager/Finance Officer/Assistant should ordinarily **NOT** be an authorized signatory. The signatories could thus include: The Coordinator/ Director, Program Manager/ Officer, Board Chair.

3.4.2 Bank reconciliation

- The Finance Manager/Finance Officer/Assistant will be responsible for all the bank reconciliations of the organisation.
- Each bank account (bank statement) will be reconciled monthly in any case not later than the 5th of the following month to its accounting system ledger each month.
- Any discrepancy arising from bank reconciliations should be noted and settled with the Bank as soon as possible. Staff other than those who physically handle the cash or keep any records involving cash should do reconciliation.
- The reconciliations are to be approved by the Coordinator/Director by the 5th of the following month. The process of bank reconciliation shall require the following;
  a) Secure all monthly bank statements by the 10th of the following month.
  b) Compare transactions in the bank statements against transactions recorded in the cash book.
  c) Compare deposits as indicated in the bank statement with the cash book. Un-cleared deposits and credits will be shown as deposits in transit (DIT).
  d) Compare the paid cheques with entries in the cash book. Un-cleared cheques and payments will be reflected as outstanding cheques (OC).
  e) Observe or note for other reconciling items such as bank charges, interest, withholding taxes, bank debit and credit memos and bank/book errors.
  f) Obtain from bank copies of debit/credit memos or similar documents that are not enclosed in the bank statements.
  g) Prepare journal entries for other reconciling items.
- The bank statements should be filed with bank reconciliations and retained for future use.
- All bank reconciliations must be filed in chronological order.

3.4.3 Cancelled/ Stale Cheques

- Spoiled cheques should be properly marked CANCELLED, if signed, signature be mutilated.
- The cheques are to be retained and filed in the cheque payments with the voucher clearly stating the reason for canceling or voiding.
- All stale cheques with suppliers must be recalled and letter written to the bank to `stop payment' on such cheques.
- Cancelled cheques should be posted to the accounting system to reflect their status to avoid future reuse of such cheques.
- Cheques issued and not cashed after 2 months should be followed up with the payee and reasons obtained acted on immediately. As a good practice, unrepresented cheques over 3 months should be stopped for payment by the bank and the payee informed.
- Lost cheques must be cancelled and only replaced on approval by payment signatories.

CHAPTER 4: ACCOUNTING FOR PAYMENTS AND PROCUREMENT

4.1 Payment Process

- The buying department/ project should prepare a payment requisition voucher with attached supporting documents for all payment requests.
- The requisition is then forwarded to the Finance Manager/Finance Officer/Assistant who will review and verify the requisition (check that the item was budgeted for, budget has not been exhausted, the payment requisition is duly supported and approved by the project team)
- Thereafter, the /Finance Officer/Assistant prepares the payment voucher for payment approval (remember to file all requisitions with the supporting documents in pending file if payment voucher has not been prepared).
- A payment voucher and a cheque are prepared when a duly approved and supported *Payment Requisition Voucher* prepared by the requesting department or staff has been received. The requisition should be supported by ANY of the following documents:
  a) an original invoice from the supplier attached to a properly approved purchase order & evidence of receipt for the item purchased or satisfactory performance of the service.
  b) a properly approved Expense Report with supporting receipts
  c) a properly approved request for petty cash fund replenishment
  d) a properly approved payroll
  e) a properly approved request for cash advances
- The preparer should check the amount needed against the line items. If it is not within the approved budget, then consult with the budget holder or his/her duly authorized representative.
- After review and approval of the voucher by the Finance Manager/Finance Officer, a cheque will be raised and attached to the payment voucher for the signing process to commence.
- The payment voucher must be approved by any two of the mandated cheque signatories, after reviewing the supporting documents to the cheques.
- All the cheques are to be entered into the accounting system once approved by the Finance Manager/ Finance Officer.
- The payment voucher should be complete with the following information -voucher/cheque number; Date; Payee; Amount; Description; Account Codes; Subsidiary Reference; Authorized signatures for preparer, reviewer & authorizer.
- All payment vouchers supported with payment documents should be filed sequentially.

4.2 General Payment Controls

- Payment may be made by cash or cheque and must be supported by fully approved documents.
- Every payment must have been budgeted and authorized by the Coordinator/ Director.
- All payments above USD 1000 should be made by cheque.
- Signatories must have authorization level high enough for payment value
- Two signatures are required to make any payment from a bank account
- All documents must be stamped “PAID” to avoid double presentation/ prevent re-use.
- All payment vouchers should be pre-numbered and sequentially follow the cheque number used.
- Cheques should be signed only after the official signatory has examined the cheque requisition vouchers and other supporting documents and is satisfied of the completeness of the payment.
- Pre-signing of cheques isn’t allowed unless in special circumstances e.g. emergencies/evacuations.

- Cheques drawn to “bearer” or “cash” should not be allowed.
- A cheque register detailing the cheque number, payee, date of collection, ID number of person collecting and his/her name and signed by him/her should be maintained.
- Person releasing cheque should record details of the cheque and voucher and the person the cheque is released to and his/her personal details. This record should be kept or filed.
- All bank charges posted to the organization’s account must be reviewed against the transactions they relate to by the Finance Manager/Finance Officer/Assistant to ascertain their eligibility before being recorded.
- Separate files shall be maintained for donors payments and all voucher documents marked with the donor codes to allow for unique referencing and posting to the accounting system.

4.3 Petty Cash Payments

- The Petty Cash shall be maintained under the **Imprest System** with an authorized float level of USD 500. Any changes in this amount must be approved in writing by the Coordinator/ Director.
- All disbursements from the petty cash should be supported and covered by duly approved petty cash vouchers. Petty Cash vouchers should be pre-numbered and sequentially filed.
- The custody of petty cash shall be the responsibility of the Cashier/ administrative assistant. The petty cash shall be kept in a cash box and locked in a safe always as a security measure.
- Single item purchases from petty cash shall not exceed USD 40 Amounts above the maximum limits shall be paid by cheque.
- Upon receipt of a payment request with attached supporting documents, the Cashier/ administrative assistant shall prepare a petty cash voucher, written in ink to prevent alterations. The information includes: Date; Payee; Amount (in words and figures); Description of expense; Account/ donor code; and signatures of preparer, approver and recipient.
- The cashier then forwards petty cash vouchers with supporting documents for approval to the Finance Manager/Finance Officer after which he/she pays (upon approval). The receiver acknowledges receipt by signature.
- Petty cash shall not be used for paying staff advances or encashment of personal cheques.
- All petty cash vouchers & supporting documents must be duly stamped “PAID” to prevent re-use.
- Weekly cash box count and reconciliation should be done and documented by the box custodian. Cash counted, and the pending unreimbursed receipts should reconcile to the maximum petty cash float balance of USD/SSP.500.
- The Accountant/Finance Officer shall conduct surprise cash counts on a regular basis for all the cash boxes in all designated THE ORGANISATION offices. Any fund shortages should be accounted for by the cashier.
- he Petty Cash shall be replenished when funds run low or once it reaches the agreed minimum re-order level amount of 25% of the approved cash float. The cashier will prepare a transaction report, conduct a cash count and reconcile the balances.
- A Petty cash reconciliation report that shows the amount of cash request shall be prepared. The report is presented with paid petty cash vouchers and supporting documents to the Accountant/ Finance Officer.
- The report once approved will be the basis for the preparation of the petty cash cheque voucher. The Cheque Voucher prepared shall go through the normal cheque approval procedures.

- The cheque should always be drawn in the name of the organisation/ Cashier, and cash collected by only the authorized banking agent.

4.4 Staff Advances

- Advances to staff can only be made against approved procedures of the organisation *(refer to Staff policies manual).* Staff can request for personal advances up to one month's salary.
- Request for personal advances shall be by use of an **Advance Requisition form**.
- All requests for advances must be reviewed by the Accountant/Finance Officer to confirm any pending advances, before being authorized by the Coordinator/Director.
- Advances are to be repaid in full by the end of the following month.
- Advances shall only be paid through the approved payment modes – cash or cheques - after the necessary approved staff advance request form has been submitted.
- The Accountant/Finance Officer must also initial the payment voucher as a confirmation of receipt of request copy for payroll deduction.
- Overdue receivables from staff shall be deducted against salary in accordance with the organization's policy.

4.5 Project/ Travel Advances

- Request for Travel Advances shall be by use of a fully filled and approved **Travel Advance /Float Request Form.**
- A duly completed form approved by the supervisor shall be submitted to the Accountant/ Finance Officer at least **2 days before travel date**. This is to allow finance office ample time to prepare and review the request as well as make the funds available.
- Emergency requirements for travel shall be subject to staff availing properly approved Advance at Request Form. Payments for this can be made from petty cash but should be reimbursed to the cash box by the raising of a cheque payment as procedures requires.
- All project/ travel advance requests according to/ within approved budgets.
- All advances will be settled by cheque (the cheque payment procedures apply). The cheque shall be prepared in the name of the organisation or an approved agent to the bank based on the projection.
- The Accountant/Finance Officer shall process the request by confirming the details, status of previous advances and subsequently arrange for the requested amounts the day before travel.
- No advance shall be granted before accounting for the previous advance, unless the activities for the earlier advance are still ongoing.
- Monies for project/ travel advances must not be mixed with normal petty cash box funds.

- Once withdrawn, monies for the project/ travel advance should be disbursed within the day of withdrawal. The receiver must acknowledge receipt of the monies on the payment voucher.
- All project/ travel advances not immediately disbursed must re-banked the following day and the respective float request form cancelled. Specifically, if the trip/ planned activity fails to take place;
  a) Return the funds to the Cashier for safe keeping and re-banking.
  b) If funds had not been advanced, advice the Finance Manager/Finance Officer/Assistant to hold the request.

c) The hold request shall only be for maximum 7 days after which the funds shall be banked, and a fresh request submitted when activity is rescheduled.

- Accounting for the travel advances shall by use of a duly completed and signed **Liquidation for Advances Form**, detailing the various expenses, supported by various vouchers (receipts)
- All advances shall be properly liquidated within four (4) days upon return from the field.
- Any unspent balances of advances should be returned to the cashier who will issue an official receipt to be attached to the liquidation form as proof of returned cash and banked latest the next banking day.
- Re-imbursement for expenses more than the advanced amounts shall only be processed after the liquidation has been approved.
- Ageing of advances (i.e. days within which advances should be accounted for/repaid) should be done monthly. Overdue/unliquidated amounts should be deducted against the respective staff's salary in accordance with the organization's policy.

4.6 Authority Limits for Expenditure

This policy is designed to guide staff as to the value levels to which they can commit THE ORGANISATION, on matters to do with expenditure. The authority limits thus indicate the value up to which a staff may authorize expenditure on each separate occasion. In general, the following principles shall apply:

- No expenditure or commitment may be made without the funds being available to pay for it.
- No individual may approve his/her own expenditure
- If significant expenditure is required on items that were not included in the budget, approval is required from the board of directors before any expenditure commitment is made.
- The person authorized to approve a transaction may delegate his/her authority down the line, subject to approval by his/her next higher authority. Proper delegation by senior staff during a period of leave of absence is an essential part of the control system of the organization. Copies of all such temporary delegation must be circulated to all concerned.
- Approval of the board is required for the annual capital expenditure budget.

4.7 Procurement Policy

- The organisation shall use two main levels of procurement;
  a) By requisition of minimum quotations
  b) Through the tendering process
- All procurements shall be managed by a procurement committee established by the Coordinator/ Director. The committee shall approve all requests, solicit for quotations, analyze the quotations select a suitable supplier and order for the items.
- THE ORGANISATION can purchase materials and services, which are minimal in nature and that, do not exceed USD/SSP. 40 through cash/petty cash, all other procurement settlements shall be made by cheque.

4.7.1 Quotations

- Quotations are used to procure materials whose value is below USD/SSP 200 and/or the time available does not allow for tendering.

- In this case, the organisation shall prepare requests for quotations and send to various suppliers. The quotations should be filled by the suppliers and send back within the specified time.
- All such procurements must be supported by at least three quotes from independent suppliers.
- Quotations should indicate: the item number, item name, item specifications, quantity and unit costs and total costs
- The procurement committee will meet and open quotations and evaluate then based on competitive terms such as quality, price, delivery time and place.
- Once a supplier has been identified an L.P.O is written to them requiring him/her to supply the said materials. The requisitioner shall be required to receive the ordered goods and confirm that they agree to the LPO issued.

4.7.2 Tendering

- The organisation shall invite tenders for the supply of materials and services required by the organization whose value is USD 10,000 and above.
- Invitation is by posting of notices in notice boards or delivery of the same to prospective suppliers.
- The prospective suppliers must submit their tender bids within the stipulated time in the tender invitation notice and in the prescribed manner. Late tender bids would not be honored.
- A day shall be set aside for the opening of tenders. The most competitive bidder in terms of product quality, cost, and time would be awarded tender.
- The person/organization awarded tender shall be expected to supply the products or services when needed by the organisation. Payment would be done after the supply of materials/services or as agreed.
- The organisation shall write an order (L.P.O) to the current holder of tender for the particular materials/services, asking him/her to supply the materials or services. The order should contain the following:
  a) Date of order
  b) Quantity and quality/specification of the materials/services ordered.
  c) Time period within which the materials / service should be delivered.
  d) How /where the materials /services should be delivered at
  e) Any other necessary conditions
- The procurement committee shall be required to document the decision to buy by way of preparing an analysis of tenders or quotations detailing the suppliers, price comparisons and unique features of a quotation.
- The document shall state the reason for selecting a supplier and any further follow ups on the tender / quotation.
- All LPOs must be approved by the Coordinator/Director and shall be only be valid for thirty days unless expressly approved.
- The procurement committee must approve all requisitions based on approved budgets.

- Whether by tender or quotations, the materials/services delivery should be within the stipulated time. Furthermore, the materials /services should reach the organisation in good condition (damaged goods would not be accepted).
- The materials shall be deemed delivered when an authorized official of the organisation signs the

delivery.

- The organisation may, with sufficient reasons, cancel a tender awarded to a supplier. Some of the cases that may lead to tender cancellation include:
  a) When the supplier has no capacity to supply the goods /services.
  b) When the quality/specification of the materials /services is compromised.
  c) When the supplier engages on corrupt deals/cheating.
  d) Delay in supply of the goods /services.
  e) When the supplier hikes the prices unreasonably without consultation. The organisation can cancel the tender if the price of the supplier is too high vis-à-vis the market rates.

CHAPTER 5: DEBTORS and CREDITORS

5.1 Debtors (Accounts Receivable)

- Although the organisation uses the cash basis of accounting, it is important for debtors' records including staff imprests and advances to be maintained.
- The Assistant/Finance Officer/Finance Manager is responsible for keeping accurate debtors' records and timely preparation and distribution of invoices to debtors to ensure payment promptness.
- The organisation shall recognize income when the payments are actually received from the debtors (cash basis of accounting).

5.1.1 Controls on Debtors

- The Finance Manager/Finance Officer/Assistant should on monthly basis monitor debtors by preparing a debtor aging summary. Debtors outstanding for more that the agreed period should be follow up for recovery and provisions made where recovery is doubtful.
- The report of debtors should indicate what's outstanding, by who and how much.
- Sequentially, a three-part invoice is prepared by Finance Manager/Finance Officer and distributed thus: the 1st copy sent to the debtor, 2nd second copy to file, and 3rd copy retained in invoice booklet.
- Write-off proposals will be issued for uncollectible accounts as determined by the Finance Manager/ Finance Officer and approved by the board of directors.

5.2 Liabilities (Accounts Payable)

- Liabilities are debts. Liabilities arising from the purchase of goods/services on credit is classified as accounts payable and includes amounts owed by the project.
- Liabilities should be kept at a minimum level and should be settled as soon as possible. All accounts payable should be reconciled at least once a month.
- At the end of an accounting period, some expenses will have been incurred but not yet paid for. These will be brought into the accounts as liabilities.
- All invoices shall be recorded when received in the invoices register, which will be updated when they are paid. At the end of the accounting period, all the unpaid invoices shall be extracted from the register to determine the total liability.

- Where the organization is not being able to pay all its bills on time, or has credit facilities, accounts payable account shall be recorded. The amount owed should be recorded in the correct expense accounts, and credit accounts payable instead of a cash account
- The organisation should not write checks when it does not intend to immediately issue to avoid a loss or stealing if these. Accounts payable should be recorded instead.

CHAPTER 6: MAINTENANCE OF ACCOUNTING RECORDS

6.1 The General Journal

- A transaction (receipts & disbursements) journal is to be maintained at the organisation to record all receipts & disbursements.
- The following transactions must be posted to the transaction journal in a timely fashion: all receipts; disbursements; voided receipts; voided cheques; interest earned; bank charges; transfers between accounts within a fund; transfers between different funds; and all transfers between current and deposit/investment bank accounts.
- Each posting must include the transaction date; receipt or cheque number in numeric order, name of payer or payee; and individual collection/disbursement account(s)
- A cash running balance column must be maintained to reflect the cash balance available
- All Journal Vouchers raised should be numbered consecutively, be per the authorized format and properly signed by the preparer, reviewer & authorizer. Supporting documents should be attached to the voucher and stamped as POSTED or PAID (for payment adjustments).
- The Journal Voucher shall be used to record amongst others Liquidation of cash advances; depreciation of fixed assets; payroll; Bank reconciling items such as bank debit and credit memos; accrual of expenses; expense and/or overhead allocations and adjusting and correcting entries.
- The Journal Voucher should be completed with the following information: Date; Account codes; General ledger reference; Description or explanation; Amounts; Signature of preparer & approving authority as well as Stamped supporting documents.
- Properly approved journal voucher shall be posted into the accounting system by the Accountant/Finance Officer. A system printout of the journal shall be attached to the approved journal voucher and filed. Journal Vouchers generated should be filed sequentially together with supporting documents.

6.2 Control Ledgers

Control books contain the totals of subsidiary accounts, the detail of which is reflected in their respective accounts in the General Ledger.

- The subsidiary ledgers should be updated on a daily basis and reconciled with the controlling account in the General Ledger. An imprest account shall be created for each staff and all floats and advances to staff for activities of the organisation shall be entered into each staffs account.
- Liquidations of floats and advances shall be made from these accounts on submissions of documents by staff and Statements for each account shall be prepared every month and disbursed to the Staff by the 15th of each month. Any disputes with the statements amount shall be resolved immediately with the respective Accountant/Finance Officer/Accounts Assistant.
- The Finance Manager/Finance Officer/Accounts Assistant shall review these statements before they are released to the debtor/staff. Each statement shall be returned to the Accountant/Finance Officer/Accounts Assistant signed by the debtor/staff as agreement that the statement reflects the correct position of amount owing. Staffs are encouraged to keep private records of their accounts receivable transactions for comparison to such statements before approving them.
- This Statement and enclosures will be considered correct unless advice to the contrary is received within 1 month from the receipt of the statement.

6.4 The Trial Balance

- The trial balance is a periodic statement prepared after all transaction entries have been made into the excel spreadsheet that lists all of the balances in the ledger. It is recommended that it should be prepared at the end of every year.
- The trial balance is intended to test that the debits and credits agree, if they not then there is a problem. A logical approach to finding possible mistakes leading to the difference is:
  a) *Add up* the trial balance again to check on its arithmetic accuracy.
  b) *Glance* quickly at the items on the trial balance, to see if any balance is obviously incorrect e.g. figures obviously too large/small; figure written down on the wrong side; items recorded as a credit balance instead of a debit & vice versa; missing balances etc.
  c) *Check* the balances on the ledger accounts with the trial balance. It is important to work from the ledger to the list, as a balance may have been missed out.
  d) *Check* that the balances in the ledger do not include items relating to the period after the closure of the annual accounts.
  e) *Check* all the additions in the ledger then those of the cash book, also in the journal.
  f) *Check* all the postings – from the cash book to the ledger, and between ledger accounts as per the journal. Tick off each checked item as you go along; if there are any entries that are not ticked these should be investigated. Something not posted? Posted twice? Or an inexplicable jotting? Correct, and adjust the trial balance.
  g) *Check* correctness of the opening balances from the previous accounting period. Have any balances on the previous balance sheet not been carried down in the ledger? Are there any incorrect opening balances? Correct any mistakes.
  h) *If there is still a difference* - and you are certain that you have adjusted the trial balance for all mistakes so far found – do not work all hours of the night looking for the difference. Your brain will be tired.
  i) *Take a break* then try again, starting at (a) above. It is helpful to ask someone to call out the figures for you

CHAPTER 7: PROPERTY AND EQUIPMENT MANAGEMENT

7.1 Introduction

- Assets and property shall include Computers, motor vehicles, furniture and fixtures etc.
- The organisation shall keep a Fixed Asset register to record all fixed assets to ensure that:
  a) all fixed assets are properly acquired, recorded and maintained
  b) the location and conditions of all fixed assets are monitored during their useful life
  c) all disposals of fixed assets are properly authorised and recorded
  d) key assets are properly insured
- All fixed assets are under the overall custody of the finance department. Every asset is assigned to a unit. The unit head is responsible for keeping all such assets in good condition and secure.
- The objective is to control the use, receipt and disposal of each type of property and equipment and its balances in the books of account.
- All property and equipment valued at more than USD 100 shall be assigned an inventory number which will be affixed to the asset using painted numbers, adhesive labels or any comparable identification tags. The number will indicate the organization's reference number.
- The Finance Manager/Finance Officer shall be responsible for the receipt, issuance, maintenance, movement, transfer and disposal of all property and equipment as well as the maintenance.
- An accountability form shall be signed by everyone to whom an asset has been assigned.
- Annually, a physical inventory of property and equipment will be conducted every end of the financial year and reconciled with the asset register.

7.2 Acquisition of Fixed Assets and Property

- Capital Expenditure (CAPEX) covers all purchases of property/ equipment with a valued at more than USD 100 This also includes lower value items but with a useful life of more than one year, quantity purchases of replacement items
- Requests for CAPEX will follow the regular procurement procedures. Payment for CAPEX items shall be made by cheque when the following are met and presented to finance;
  a) Minimum of 3 quotations supported by all correspondences requesting for quotations.
  b) Quotation analysis cover letter detailing at least 3 reasons in favor of the successful bid.
  c) LPO from the supplier & delivery note, duly stamped received by authorized staff.
  d) Invoice from supplier stamped for asset capture in the asset register by the finance staff.
  e) Approval by the purchasing project.

7.3 Disposal of Property and Equipment

- The organisation assets may be disposed through either sale, transfers to other projects or donations to other parties. The board must properly authorize any such disposals.
- A pre-numbered disposal form shall be completed by finance and approved by the board. The form highlights the asset description, date/cost of acquisition, bids received, reason for disposal.
- A copy of the disposal form shall be forwarded to finance and attached to the cash receipts.
- Sale of assets should be on a competitive bid basis where possible and be duly documented.
- The property and equipment register shall be marked DISPOSED, SOLD or DONATED upon disposal with clear reference to the sale documents.

7.4 Other General Controls over Property.

- All the organization's fixed assets must be protected from being damaged, stolen, or destroyed.
- Documents of title should be kept in safe custody by the finance and controlled by register.
- A fixed assets register shall be maintained
- An alphanumeric fixed assets code number will be established; the numbers are then entered in the fixed assets register and the number written/tagged on the fixed asset.
- Physical verification shall be conducted every end of the year and a report issued on the status of the assets by the Accountant/Finance Officer
- Other methods that the organisation may use to protect its physical assets would include:
  a) Locking the office doors, when possible.
  b) Inspecting assets for routine maintenance,
  c) Maintaining and reviewing the fixed asset inventory listing.

7.5 Controls over Motor Vehicles

- Every vehicle must have a work ticket (log-sheet), kept in the vehicle. The work ticket should have columns for recording e.g. the starting & closing mileage, purpose of the journey, officer approving the journey, Quantity of petrol bought, name of the drive etc.
- At the end of every month, a summary should be made of the mileage covered, fuel consumed, and servicing or repairs done. From these statistics, it is easy to determine the areas where heavy costs are being incurred and corrective action taken promptly.
- All the organization's vehicles must be registered in the name of the organisation and not in any individual's name.
- The organization's vehicles should be housed at the office and be fully insured and depreciated accordingly.
- The organisation vehicles shall be used strictly for official duties,
- The Finance Manager/Finance Officer/Assistant should ensure vehicles are properly managed by:
  - Keeping a vehicle maintenance and repairs record
  - Ensuring that basic regular servicing is done
  - Writing up of work ticket whenever the vehicle is used
  - Following a clear procedure for buying and recording fuel usage
  - Establishing a known procedure for reporting problems
  - Clearly spelling out actions to be taken in the event of accident
  - Setting up rules for personal use of the organisation vehicles
  - Undertaking regular review of the work tickets to know how vehicles are used
  - Carefully planning the usage of all vehicles with the staff and
  - Establishing a clear procedure for authorization and usage
- To manage motor vehicle related risks, the Accountant/Finance Officer/Finance Manager shall keep up to date insurance cover; maintain all vehicles in a good working condition; ensure safe packing of vehicles; carry only authorized passengers or goods and in the right quantities; maintain safe speeds and ensure that all vehicle occupants must belt up while traveling

CHAPTER 8: FINANCIAL REPORTING

8.1 Monthly Financial Reporting

- Financial reporting shall be done as per approved formats, and requirements by the donors.
- At the end of every month the Accountant/Finance Officer will prepare a budget versus actual analysis report for the Coordinator/Director and project staff. By the 10^{th} of the next month, explanations of the variances above 10% shall be done by the project officers and submitted to the Accountant/Finance Officer.
- Budget variance explanations should be provided for all items above or below 10% of the budget. Narrative reports detailing the activities of the project as implemented shall accompany such reports for review and synchronization by finance.
- Completed reports should be distributed to the board, management and other staff as is deemed appropriate from time to time.

8.2 Financial Statements

- The organisation shall publish a statement of financial position, and a statement of cash flows and a statement of income and expenditure at the end of every accounting period. These are explained thus:
  a) *Statement of Financial Position (Balance Sheet):* This provides relevant information about the organization's assets, liabilities, and net assets and about their relationships to each other at a moment in time.
  b) *Statement of Cash Flows:* The purpose of the statement of cash flows is to provide relevant information about the cash receipts and cash payments of the organization during a period.
  c) *Statement of Income and Expenditure:* Its primary purpose is to provide relevant information of changes in the income, expenditure and capital resources of the organization during a period. All donors to the organisation are listed in this report.

- The Coordinator/Director shall oversee the preparation and publication of annual reports.
- To apply the preferable reporting systems of the key stakeholders, the organisation shall discuss/ negotiate with the donors as far as possible to adhere to the organization's agreed reporting formats.

8.3 Donor Reporting

- Donor reports fall due per the contractual agreements & reporting requirements. A schedule of the reporting dates will be maintained by the organisation.
- The finance team with the help of the project officers'/ unit heads will prepare the reports and consult on areas where there is need for changes to the Ledger.
- The Accountant/Finance Officer will discuss the Donor report with the program officers and the approval of the Coordinator/Director before submission to the donors. Separate financial reports should be prepared for each project and consolidation done for the organisation as a whole.
- The organisation reports should disclose all the donors who contributed money and goods in kind. A report of all the goods in kind received shall be prepared by project managers and submitted to Accountant/Finance Officer and Coordinator/ CEO.

CHAPTER 9: EXTERNAL AUDIT

9.1 Introduction

- The organisation recognizes the importance of a dynamic external auditing system in order to achieve a credible financial discipline by applying checks and balances.
- The board shall appoint a new auditor every 3 year in an annual general meeting; The board shall also provide the Auditor with clear written terms of references and reporting schedule.
- The auditor shall report to the board.

It shall be the duty of the Accountant/Finance Officer to arrange with the appointed auditors when the annual audits should be carried out. The Accountant/Finance Officer shall then ensure that: -

- All audits schedules as required by external auditors are prepared on time.
- Accurate and reliable financial statements are prepared.
- The auditors receive information and explanations necessary for audit.
- Corrective actions are taken regarding the auditor's management letter and that a reply to the letter is prepared in time for discussion by the Board.

- The Board will then discuss the management letter with the auditors and the Coordinator/ Director. The latter shall ensure that corrective actions taken are communicated to the auditors.

- The annual audit timetable shall be as follows:

a) Initial risk assessment	1st week of March
b) Start of Audit	2nd week of March
c) Initial draft of Financial Statements	1st week of April
d) Final draft of Financial Statements	2nd week of April*

* Depending of time of responding to audit queries/requirements of the auditor.

9.2 Basic Year-End Audit Requirements

- Financial Statements (Income & Expenditure, Balance sheet and Cash flow reports).
- Budgets, Grant Agreements/Contracts for revenues recognized in the current year.
- Summary of Revenues received,
- Documentary requirements (rental agreements, bank statements, donor agreements, etc.)
- Supporting Schedules including (a) Schedule of Incomes (b) Schedule of Donations Receivable (c) Schedule of Accounts Receivable (d) Schedule of Advances to Officers and Employees (e) Schedule of Prepayments and other Assets (f) Schedule of Accounts Payable (g) Schedule of Other Liabilities (h) Summary of Expenses (i) general ledger (j) Bank reconciliations (k) Confirmation request for banks, accounts receivable, advances, accounts payable and accrued expenses (l) Assets register
- Trial Balance

CHAPTER 10: RECORD KEEPING (ARCHIVING)

10.1 Safeguarding Computer Data: Back-ups

- Computer data must be safeguarded against loss by backing up data regularly (weekly).
- Back up options are flask discs, removable hard drives, and writable CDs.
- The following is a suggested system for complete back up of computer data using any of the media indicated above.
    a) Payroll should be backed up twice for each payroll-once before posting payroll data and once before printing payroll checks. Each year end, after the payroll has been reconciled and all adjustments have been made, back up payroll information on a new diskette.
    b) Each year end, after all corrections, adjustments, and closing entries have been entered; perform a back up of the financial data on new media.

10.2 Invoice Files

- The organisation must keep for each year all invoices to support all disbursements and file them alphabetically by vendor or by any other logical filing method
- Accounts office must maintain the master invoice file containing originals of all invoices. If other areas need invoices, they make own copies.

10.3 Personnel Files

- Complete individual personnel files on all current employees need to be maintained and carefully safeguarded due to their highly confidential nature.
- Access should be restricted to the Coordinator/Director and designated accounting staff only.
- The files should not leave the room where they are stored but may be viewed by the respective owner in presence of authorized staff. Copies of individual documents may be made for them.

10.4 Record Retention Schedule

- Storage of archival records will be maintained in a secure area safe from theft, fire and water damage. Each file box will be labeled on the front with the contents, dates covered, and destruction date if applicable.
- Ideally files should be stored only in boxes with similar items, dates and retention periods to allow for easier access and purging of records.

10.5 Destruction Time-lines

- Three to six months after each year end, the officer concerned with filling will proceed with destruction of all files that have exceeded their recognized holding period.
- Department heads will be informed that the destruction of specified files will be taking place within thirty days (in case they still need some of the files)
- Destruction of the files will be performed by the organization’s personnel. Care must be taken to have all documents that contain personal information such as phone numbers, addresses, and account numbers, etc. shredded before disposal.