

**SOMALI WOMEN ASSOCIATION**

**(SWA)**

---

**FINANCE POLICIES AND PROCEDURES MANUAL**

**2021**

---

---

**Abbreviation**

ED	Executive Director
GAAP	Generally Acceptable Accounting Principles
HOF	Head of Finance
IAS	International Accounting Standards
ISA	International Auditing Standard
PCR	Petty Cash Receipt Voucher
PCRR	Petty Cash Replenishment Report
PV	Payment Voucher
PPE	Property Plant and Equipment
SWA	Somali Women Association
TA	Travel Authorisation
USD	United States Dollars

---

## CONTENTS

1.	Introduction .....	7
2.	Accounting basis and concepts.....	9
2.1.	Accounting convention.....	9
2.2.	Accrual basis of Accounting .....	9
2.3.	Double entry basis .....	9
2.4.	Consistency .....	9
2.5.	Conservatism.....	9
2.6.	Materiality .....	10
2.7.	Disclosures.....	10
2.8.	Simplicity, Accuracy and Flexibility .....	10
2.9.	Income .....	10
2.10.	Currency translation.....	10
2.11.	Property and equipment.....	11
2.12.	Cash and cash equivalents .....	11
2.13.	Consistency .....	11
2.14.	Chart of Accounts and Account Codes .....	11
2.15.	Financial Statements .....	11
3.	Accounting Systems .....	13
3.1.	Charts Of Accounts.....	13
4.	Budget Preparation And Monitoring .....	18
4.1.	Budgeting at SWA .....	18
4.2.	Project Budgeting .....	19
4.3.	Institutional Budget .....	20
4.4.	Internal financial control .....	21
5.	General Cash Policies .....	22
5.1.	Operation Of Bank Accounts.....	23
5.1.1.	Bank Reconciliations .....	25
5.1.2.	Guidelines for opening a new account.....	25
5.1.3.	Guidelines for closing bank account.....	25
5.2.	Reimbursement of petty cash book .....	25
5.3.	Procedures in requisitioning petty cash .....	26
6.	Cash Receipts And Disbursements Procedures .....	27
6.1.	Cash Receipts Defined .....	28
6.2.	Deposit of Collections .....	28
6.3.	Reporting of Collections and Deposits.....	28
6.4.	Procedures for Recording Dishonored Checks .....	29

6.5.	Procedures for refunds of petty cash funds.....	29
6.6.	Cash Disbursements.....	30
6.7.	General Considerations .....	31
6.7.1.	Disbursements Defined.....	32
6.7.2.	Basic Requirements for disbursements .....	32
6.7.3.	Disbursement system .....	33
6.7.4.	Adding and registering approved vendors and grantees .....	34
6.7.5.	Limits for approval of expenses.....	34
6.7.6.	7.2.1 Disbursement by Check .....	34
6.7.7.	Responsibilities for Petty Cash.....	38
6.7.8.	Handling Changes .....	38
6.7.9.	Allowable disbursements of petty cash fund.....	39
6.7.10.	Replenishment process.....	39
6.7.11.	Procedures for overages/shortages .....	40
6.7.12.	Handling of loss of funds .....	40
6.7.13.	Security over funds.....	40
6.7.14.	Reconciling funds with records .....	41
6.7.15.	Accounting for Petty Cash Transactions .....	41
6.8.	Documents and Forms.....	42
7.	Property Plant And Equipment.....	46
7.1.	PPE defined .....	46
7.2.	Capitalization policy .....	47
7.3.	Budgeting .....	47
7.4.	Control over fixed assets.....	47
7.5.	Physical count .....	48
7.6.	Issuance of assets to staff members .....	48
7.7.	Maintenance / Insurance of Fixed Assets .....	49
7.7.1.	Acquisition of PPE .....	49
7.8.	Depreciation .....	52
7.9.	Disposal .....	54
8.	Receipts / Collections From Donors.....	61
8.1.	Other Receipts / Income .....	66
9.	Internal Control Framework .....	69
10.	Financial Management .....	79
10.1.	Responsibility for financial management .....	79
11.	Book Keeping.....	81
12.	Control Of Accountable Documents .....	82
13.	Financial Statements .....	83
14.	Travel Expenses/Imprest .....	84
15.	Inter-Project Borrowings .....	86

16. Controls Over Motor Vehicles, Telephones, And Fax Photocopier And Internet Acess And Electronic Mail .....	87
16.1. Telephone, Faxes And Mails.....	87
16.2. Photocopying.....	89
17. Internet Access And Electronic Mails .....	90
18. Indirect Administration Costs .....	91
19. Project Financing.....	93
19.1. Objective .....	93
19.2. Policy.....	93
19.3. Responsibility .....	93
19.4. Operating guidelines.....	93
19.5. Internal financial control/Benefits.....	94
20. Sub-Grantees.....	95
20.1. Objective .....	95
20.2. Policy.....	95
20.3. Responsibility .....	95
20.4. Operating guidelines.....	95
21. Month-End Reports .....	96
21.1. Objective .....	96
21.2. Policy.....	96
21.3. Responsibility .....	96
21.4. Operating guidelines.....	96
22. Inter-Offices Reporting.....	99
23. External Reporting.....	99
23.1. Objective .....	99
23.2. Policy.....	99
23.3. Responsibility .....	99
23.4. Operating Guidelines .....	99
23.5. Internal management reports will include: .....	101
23.6. Reporting calendar .....	101
23.7. Internal financial control/Benefits.....	101
24. Audits.....	102
24.1. Objective .....	102
24.2. Policy.....	102
24.3. Responsibility .....	102
24.4. Operating guidelines.....	102
25. Internal Audit .....	102
Appendix I : Purchase Process Cycle .....	105

Appendix II : Purchase Payment Cycle .....	<b>Error! Bookmark not defined.</b>
Appendix III: SWA Payment Procedure.....	<b>Error! Bookmark not defined.</b>
Appendix IV: SWA Payments Procedures: Support Documents Tracker.....	106
Appendix V: Activity Schedule .....	108

**CAVEAT:**

**The Management reserves the right of interpretation of the policies. The limitation to what the policies express should not be taken to construe to be risk naive other than applicable as much as practicable.**

## **1. Introduction**

This Financial Management and Internal Controls Manual is designed to conform to best practice, International Accounting Standards - IAS, International Financial reporting Standards - IFRS, local laws as well as mitigate against any potential losses through oversight, fraud or ineffectiveness.

### **1.1. The Purpose of the Manual**

This Financial Management and internal controls manual is intended to:

- i. Provide specific standards and facilitate professionalism in financial administration;
- ii. Provide standardized financial procedures where processes are performed in a standardized manner;
- iii. Provide a reference for responsibilities and authorities in respect to financial administration and management;
- iv. Provide controls for minimizing the risk of loss and for guarding against irregularities that could lead to severe financial and legal consequences;
- v. Sets standards-systems, procedures and controls are fully documented. These define who does what, where, when, how and in what sequence. The verifiable standards of performance and efficiency can, therefore, be clearly known. Lines and levels of authority are clearly defined and shown;
- vi. Communicates changes in systems, procedures, controls and responsibilities are set out in writing through an amendment to the manual. This speeds up implementation and eliminates the need for excessive memoranda and verbal instructions;
- vii. Serves as a training guide. The manual should be used in training new and existing staff.
- viii. Define a financial system that reports the financial transactions on a regular basis.

### **1.2. Scope**

The manual shall guide all the financial operations within SWA.

### **1.3. The users of the manual**

The following are the users of the manual:

All the SWA staff who participate in execution of any activities related to financial operation.

Any authorised user who may from time to time would be involved in reviewing procedures and operations for SWA including Auditors and any consultant acting on behalf of SWA partners.

### **1.4. Authority for Financial Administration and Management**

The Board, assisted by the Executive Director is the custodian of all SWA finances. It has absolute mandate to oversee the programme funds and finances. The Executive Director is responsible to the

Board for finance and accounting. He/ She take directions from the Board on strategic decisions while the ED advises on technical financial matters. It is the responsibility of the ED to bring to the attention of the Board any issue regarding poor accountability of funds and to demand compliance to financial policies. This would include any condition where the failure of internal controls could be a potential cause of loss in failure.

Any major technical advice, observation or recommendation from the ED and Head of Finance and Operations to the Board shall be communicated in writing.

### **1.5. Non-Compliance with the Financial Regulations**

Deviating from organizational policy should be strictly avoided. If a deviation is considered necessary due to reasons that appear to be hampering or restricting operations, a revision of policy is not appropriate but where a deviation from policy on 'special case' basis is still necessary, the proposed deviation shall be documented in writing by the staff requesting it. The request may include justification for the proposed deviation. It then must be accepted or rejected in writing by the Executive Director, after due consultation with the Board.

### **1.6. SWA Financial Year**

SWA financial year is from 1 January to 31 December of each year. The budget year shall be identical to the Financial Year.

## **2. Accounting basis and concepts**

The Head of Finance should ensure that basic accounting principles are applied and a high level of professionalism observed.

SWA's significant accounting policies are as follows:

SWA's financial statements are prepared in accordance with accounting policies generally accepted accounting standards. The principal accounting policies adopted in the preparation of these financial statements are set out below.

Below is an explanation on some of the basic accounting principles that shall be adhered to.

### **2.1. Accounting convention**

The accounts of SWA are prepared under the historical cost convention. No account is taken of the effect of changing prices. Day to day transactions are recorded at the monetary value of the transactions.

### **2.2. Accrual basis of Accounting**

The accounting basis to be adopted will be modified cash basis. Long term and short term balance sheet items will be applied consistent with the modified basis.

A modified accrual basis of accounting shall be used in preparation of SWA financial statements for respective projects. Under this method, all expenses shall be recognized when incurred and reported in the financial statements in the period to which they relate. Income shall be on accrual basis except for transactions where accrual basis is impractical or when other methods are required by law.

### **2.3. Double entry basis**

Double entry basis is a method of accounting that requires transactions to have both a debit side and a credit side, thus creating a balancing system.

### **2.4. Consistency**

The concept of consistency carries with it the idea of uniformity in accounting methods from period to period. Accounting methods should remain fairly constant over the years. This provides a basis for comparing data or for comparing reports of different periods.

### **2.5. Conservatism**

This concept requires one to act conservatively when valuing assets or recording income. This does not allow deliberate understatement. Rather it is an attitude towards uncertainties requiring assurance that all

contingencies and possible losses have been evaluated and reflected in the financial records.

## **2.6. Materiality**

Transactions are material if when disclosed they are likely to make a difference to an observer and cause him to act or react differently than he would have ordinarily if the transaction had not been disclosed. All material transactions should be reflected in the financial statements.

## **2.7. Disclosures**

In financial reporting, disclosure must be full and fair. Full disclosure requires that all relevant information about an organization's financial position and operations are disclosed.

## **2.8. Simplicity, Accuracy and Flexibility**

Simplicity, accuracy and flexibility are basic to any financial system. Any accounting system should be as simple as is consistent with the principles of good management. However, the system must also be flexible enough to accommodate contingencies and unusual occurrences.

## **2.9. Income**

- (i) Grant income is reported as restricted support if it is received with donor stipulations that limit the use of the funds. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified from restricted net assets and reported in the statement of net assets as net assets released from restrictions.
- (ii) The organization reports gifts of land, buildings, equipment etc as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.
- (iii) Investment and interest income are recognized as they accrue

## **2.10. Currency translation**

The financial statements for SWA are presented in United States Dollars (US\$). Transactions and balances expressed in currencies other than the US dollars are treated as follows:

The transactions during the year are converted into US Dollars at the rates ruling on the transaction dates. Assets and liabilities that are expressed in other currencies are translated to US Dollars at the rates of exchange prevailing at the period end. The resulting differences from conversion and translation are dealt with in statement of activities in the year in which they arise.

## **2.11. Property and equipment**

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight line basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives.

The annual depreciation rates in use are:

Asset	Rate
<b>Computer software</b>	33.3%
<b>Equipment</b>	25%
<b>Furniture &amp; fittings</b>	12.5%
<b>Motor vehicles</b>	20%

## **2.12. Cash and cash equivalents**

For the purpose of presentation of the cash flows in the financial statements, cash and cash equivalents include cash on hand, bank balances and investments which are readily convertible to a known amount of cash.

## **2.13. Consistency**

Consistent accounting methods will be applied from the one period to another. This does not mean that a change in method cannot be made, but if a change is made it will be identified and the effect on the reported results fully disclosed in accordance with GAAP.

## **2.14. Chart of Accounts and Account Codes**

Chart of accounts and a coding structure with a five-digit account numbering system shall be adopted.

## **2.15. Financial Statements**

The following statements shall be prepared annually:

- Statement of financial position
- Statement of Income and Expenditure
- Statement of Cash Flows
- Notes to Financial Statements shall accompany the above statements.

**j) Construction of Assets.**

For assets under construction bonus paid to the contractor for completing the work ahead of time shall be added to the total cost of the project. Liquidated damages charged and paid for by the contractor shall be deducted from the total cost of the project. Any related expenses incurred during the construction of the project, such as taxes, interest, license fees, permit fees, clearance fee, etc. shall be capitalized, and those incurred after the construction shall form part of operating cost.

**k) Recognition of Liability.**

Liability shall be recognized at the time goods and services are accepted or rendered and supplier/creditor bills are received.

**l) Interest Accrual.**

Interest income and/or expense shall be accrued and recognized in the books accounts at the end of every month.

**m) Grants approved.**

Grants approved are recognized as expenditure and liabilities at the time the Board approves a specific grant.

**n) Investments – Financial Instruments.**

A financial instrument is cash, evidence of an ownership interest in an entity, or a contract that both imposes on one entity a contractual obligation to deliver cash or another financial instrument to a second entity or exchange financial instruments on potentially unfavorable terms with the second entity, and conveys to that second entity right to receive cash or another financial instrument from the first entity or exchange other financial instruments on potentially favorable terms with the first entity.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognized on the trade date, which is the date that the organization commits to purchase or sell the assets.

All investments are measured initially at fair value. Following initial recognition, investments are carried at fair value with gains and losses being reported in the statement of activities. Investments are derecognized when the effective control has been surrendered over the financial assets.

### **3. Accounting Systems**

#### **3.1. Charts Of Accounts**

##### **OBJECTIVES**

- To define the chart of accounts to be used in SWA.
- To establish the policy and procedures of modifying the chart of accounts.
- To establish responsibilities of modifying the chart of accounts.

##### **BACKGROUND**

The Chart of Accounts provides the framework within which the accounting records are constructed. It is defined as a list of general ledger accounts consisting of real and nominal accounts.

##### **POLICY**

1. The descriptions of all the accounts and the instructions as to when these are to be debited and credited are provided to achieve uniformity in the recording of SWA's financial transactions.

##### **Elements of Financial Statements**

2. Elements of financial statements of any organization are those elements that relate to the status or measurement of financial position and measurement of performance of the entity, which are relevant to decisions that would require the commitment of resources. Those elements directly related to the measurement of financial position as shown in the Statement of Financial Position are assets, liabilities and net assets. The elements directly related to the measurement of performance which are shown in the Statement of Activities are revenue/income and expenses. The definitions of the different elements are as follows:

a) **Assets** – economic resources of that are recognized and measured in conformity with generally accepted accounting principles. Assets also include certain deferred charges that are not resources but are recognized and measured in conformity with generally accepted accounting principles.

b) **Liabilities** – economic obligations that are recognized and measured in conformity with generally accepted accounting principles. Liabilities also include certain deferred credits that are not obligations but are recognized and measured in conformity with generally accepted accounting principles.

c) **Net assets/Equity** – residual measure in the statement of financial position.

d) **Revenue/Income** – increase in economic benefits during the accounting period in the form of

inflows or enhancements of assets or decrease of liabilities which results in increases in reserves.

e) **Expenses** – decrease in economic benefits during an accounting period in the form of outflows or depletions of assets or incurrence of liabilities which results in decreases in reserve.

### **Statement of Financial Position Accounts**

3. The statement of financial position accounts consist of assets, liabilities and net assets/equity. These are classified into the following:

#### **Assets -**

##### **Current Assets**

Cash and cash equivalents  
Accounts receivable  
Marketable securities Inventories  
Prepaid expenses

##### **Non-current Assets**

Long-term investments  
Long-term intangible assets  
Property, plant and equipment

#### **Liabilities -**

##### **Current Liabilities**

Accounts payable  
Accruals and provisions

##### **Long-term Liabilities**

Grants refundable

#### **Net assets/Equity -**

General reserves  
Temporary Restricted reserves

### **Revenue/Income and Expense Accounts**

The revenue/income and expenses consist of the following:

#### **Revenue/Income**

General Income Accounts Specific Income Accounts

## **Expenses**

Program and general support costs

Monitoring and evaluation costs

Grants

### **Classification of Revenue/Income: The revenue/ income accounts are classified into:**

- Unrestricted Grant Income - This account classification encompasses all types of revenue/income for which no restriction has been placed by the donor on how the funds are to be utilized.
- Temporary Restricted Income Accounts - This account classification encompasses all grants income which have been received for specific activities.

### **Classification of Expenses: The expense accounts are classified into:**

- Monitoring and evaluation costs
- Program and general support costs
- Grants

4 All other chart of accounts not mentioned herein shall be treated according to the acceptable accounting principles and guidelines.

## **DETAILED PROCEDURES**

### **Description of Accounts and Account Codes**

The description of the accounts in use and their codes is to be determined by the project codes in the Project document or agreement. The Head of Finance shall establish the codes which shall be adopted.

## **BACKGROUND**

The General Accounting System Plan shows the overview of the overall accounting system used at SWA which includes the flow and accumulation of financial data; the conversion of the data into financial information; the source documents; as well as its summarizing reports and the books of original entries including the subsidiary ledgers. The General Accounting System Plan also shows the financial reports that the accounting system put in place is capable of generating.

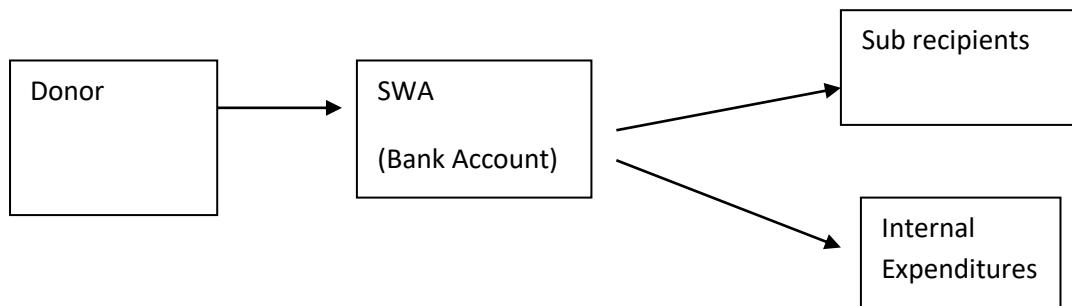
## DETAILED POLICY STATEMENT

SWA's financial transactions are processed and reported through the general accounting system plan as illustrated in **Appendix 1 and Appendix 2**

## DETAILED PROCEDURES

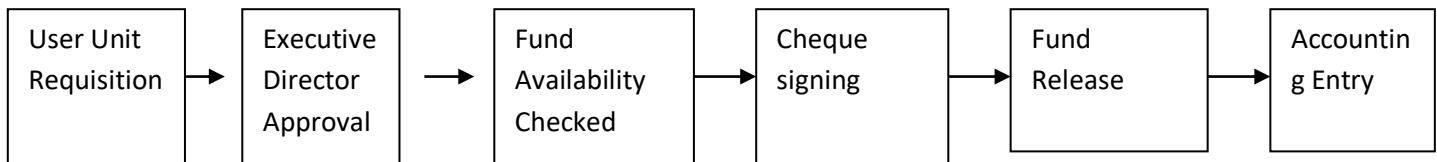
In general, the flow of funds in terms of fund receipts and disbursements are as follows:

### Cash Receipts



## Cash Disbursements

The general flow of payments of goods, works and services is illustrated below:



**The following reports are prepared by the Finance Unit-**

Management Reports:

- Quarterly Management Report to the Board/ Donors approved by the Senior Management Team
- Quarterly Monthly Budget vs. Expenditure report to the Budget Committee
- Annual Financial Statements
- Financial Reports to Donors

## **4. Budget Preparation And Monitoring**

### **OBJECTIVES**

- To establish the policy and procedures of the budgetary preparation process.
- To establish responsibilities for budget preparation and monitoring.

### **BACKGROUND**

A budget is an expression in financial terms of the operational plans of an organization for a forthcoming financial period. In SWA, budgeting is done annually. A budget is one of the simplest methods of planning for and keeping control of finances and is therefore an important management tool in SWA.

### **POLICY**

1. Each year's budget should be linked to the overall SWA strategy. This is because resources should be allocated and measured in a manner that enables SWA to measure the progress being made to achieve the strategic objectives. This will further enable all managers and employees to have a clear understanding of strategic goals.
2. There is an ever present limitation of availability of adequate resources; competition for resources is thus inevitable. Every function and unit needs funding for both capital and operating expenses usually in excess of the actual resources available. It is therefore vital that resources are first allocated to support key strategies through grants.
3. SWA will use variance analysis as a way of monitoring the budget. Variance analysis is the study of differences between budgeted and actual costs, or the study of costs at one organization compared with industry averages. The use of variances will enable SWA's management to identify weaknesses in terms of managing their functions so as to improve on performance. However, focus must be given to those variances that have a significant impact in order to reduce the chances of being bogged down on trivial detail.

### **4.1. Budgeting at SWA**

The different types of budgets at SWA

- Capital Budget

This is budgeting for assets that has useful lives of more than one year and has a total value of \$ 500 and above.

- Operational budget

The budget that reflects the resources required to effectively implement programs which in turn will

drive the successful outcomes/outputs required by SWA.

## DETAILED PROCEDURES

**Para 1. Non Program Related budget**-The annual operational budget, which shall be approved by the Board, shall mean the budget for the activities of SWA for the period between 1 January and 31 December. The Budget Committee consisting of Head of Finance, Admin and Finance Officer, Program Manager and the Executive Board shall review it in advance so that its eventual approval by the Board is not later than 31<sup>st</sup> November i.e. before its implementation period.

**Para 2.** The SWA annual operational budget shall be presented in US\$ and will be detailed enough to offer adequate information on sources of funds and their application as well as previous period's comparatives.

**Para 3.** The Board shall approve budget variations that will have the overall impact of increasing the overall annual budgets.

**Para 4.** The ED may approve re-allocation of funds from one expenditure line to another within the same program/project/unit, provided that the funds available for the particular program/project/unit are not exceeded; and the donor restrictions are not violated.

### 4.2. Project Budgeting

The Program Manager shall prepare the budget relating to the specific project. The Project shall submit the budget to the project committee for discussion.

The Budget shall be deliberated on within the timelines required in the RFP and the Proposal. The ED shall be responsible to ensure timelines are observed.

The following shall be the steps followed;

**Step 1:** The Program Coordinators designs proposed activities to be implemented through proposal; The Program Coordinators shall quantify the outputs to aid the budgeting.

**Step 2:** The Finance Officer does the cost estimation in line with market rates (The rate at which an item/service can be acquired based on the recent purchase done) of each item required in an activity to be accomplished to achieve objective of the program.

**Step 3:** The budget shall be discussed by the Budgeting Committee looking at the rates proposed. The budget shall be revised where the Committee need amendment to be done.

**Step 4:** The budgeting committee will apply standard rate of 7% to the budget as indirect cost which shall be added to the Direct Program Cost budget.

Step 5: The budget is then forwarded for review by ED. If no proposals for revisions then an approval is done by the ED.

#### **4.3. Institutional Budget**

This is the budget that details allocation and budget for project administration.

**Para 1.** The annual operational budget shall be prepared and presented to the Board for approval by the ED supported by the Head of Finance based on the estimated costs and with the involvement of all units.

**Para 2.** Budget instructions shall be prepared and circulated by the Head of Finance for use by all staff involved in the budget making process.

**Para 3.** It shall be the responsibility of Head of Finance to ensure that there is adequate and proper budget for all SWA activities and that spending is within approved budgets.

#### ***Operating guidelines***

- a) Project budget as outlined in the financing agreement shall be an integral part of the project document and shall constitute a monetization of the activities included in the approved project work plan. The budget shall be prepared based on program/activities rather than expenditure heads/elements.
- b) Line budget limits as provided in the funding agreement shall not be exceeded and a saving in a budget line shall not necessarily justify over expenditure on another line budget, unless prior written approval has been obtained from the donor.
- c) Project expenditure reports shall be presented in the format of the approved budget in the financing agreement. The Head of Finance shall ensure that expenditure charged to the project was real, reasonable, adequately supported, properly authorized and relevant to the project.
- d) The Head of Finance will cause for estimates to be prepared by all projects/programs/units heads that shall be submitted to the Program committee well in advance for review. This review shall be such that adequate time is allowed so that the reviewed budgets are submitted to the Executive Board for final review the April preceding the commencement of the budgeting period.
- e) Upon approval by the Board, the budget shall constitute an allocation of funds for the organization's activities for the period under review. Approved budget may not be exceeded unless with a prior written authority as detailed under the section on "Budget re-allocations" below.

- f) Monthly reports showing variances between the actual and budgeted expenditures shall be prepared and presented to the Head of Finance for review. Any unexpected variance
- g) revealed by the reports shall be promptly investigated and a report made to the ED for remedial action.
- h) Budget re-allocation of funds shall be allowed where there is an urgent need for expenditure for which there was no allocation in the approved estimates or where the estimates are insufficient and such expenditure was unforeseen at the time the estimates were prepared and which cannot be postponed for consideration in the subsequent period's funding without serious injury to the interests of SWA .
- i) Vote holders communicate, in writing, their needs and estimates for additional budgets to the Head of Finance at the earliest opportunity on detecting budget shortfalls. The Head of Finance shall review the request and through discussions with the concerned vote holders; and upon approval by the ED take appropriate action to resolve the shortfall.

#### **4.4. Internal financial control**

- The budgets are prepared by all affected parties in order to have a buy-in and commit themselves to implement it.
- Approved budgets are not exceeded and donor approvals are obtained.
- The budget is reviewed by the ED and presented to the Board for approval.
- The Head of Finance compares monthly budget against actual expenditure and discusses variance reports with the concerned vote holders and the ED for remedial action.
- The Board approves budget re-allocations that increase the overall budget for the period.
- Budget re-allocation is in writing. Donor conditions should be met if the re-allocations affects specific project.

#### **Role of Budget Monitoring and Review Committee**

1. Reviews on Quarterly basis actual expenditure compared with the approved budget.
2. Proposes changes/amendments in the budgets where necessary.
3. Takes corrective action where there are major deviations from the budget.
4. Approves annual budgets for submission to the Board.

## 5. General Cash Policies

### SCOPE OF THIS POLICY

This policy contains guidelines and standards where necessary for sound management of SWA's liquid assets

The term "Cash" in this policy is used as short cut for "liquid assets". It designates the financial resources kept by SWA in bank accounts, investment accounts or petty cash funds or even funds kept by employees on SWA's behalf (e.g. travel advance).

It is applicable in all SWA locations where SWA maintains its own funds.

### OBJECTIVES

- To protect SWA against loss ( banking failure, foreign exchange loss, theft, misuse of funds)
- Avail optimal liquidity for SWA's operations
- To provide guidance for opening of bank accounts in SWA.
- To establish the policy and procedures of appointing bank signatories.
- To establish responsibilities of signing checks and authorising bank transfers.
- To establish the policy and procedures of preparing bank reconciliations.
- To establish responsibilities for preparing and reviewing bank reconciliations.

Who	What
All staff members	Comply with relevant policies Ensure safety and security of any funds made available Ensure they require proper documentation for expenses made with those funds Are personally held responsible for the loss of funds unless an investigation
Budget holders	Approve expenses in line with SWA policies and applicable donor regulations
Petty cash Custodian	Disburse funds in line with SWA policies Tally cash balance with recorded balance on a daily basis Request replenishment in a timely manner Keep funds safe and secure
Bank signatories	Authorize payments in line with SWA policies

Finance staff	Participate to the sound management of cash resources through the discharge of Job responsibilities
Head of Finance	Ensure all SWA cash management operations go smoothly, comply with set standards as well as sound internal control and established policies Recommend changes in policy and practice of cash management to enhance effectiveness
Executive Director	Oversee compliance of operations with cash management policy and best practice Authorize payments in line with SWA policies Approve relevant policies Approve opening and closing of bank accounts Ensure cash management practices are sound

## BACKGROUND

SWA maintains a number of bank accounts that enables the management to meet their objective including the disbursement of funds to various grantees in addition to catering for SWA operating expenses.

This section outlines the policies and procedures related to the operations of the bank accounts.

The section covers:

1. Opening bank accounts
2. Bank accounts signatories
3. Bank reconciliations

### 5.1. Operation Of Bank Accounts

#### Objective

To describe the system and policies adopted by SWA in the operations, management and control of funds in the bank to ensure that all funds kept in the bank are secure at all times.

#### a) *Policy*

- i) SWA shall operate bank accounts in suitable currencies as may be deemed necessary to facilitate smooth operations.
- ii) The Board shall designate and approve all bankers of all bank accounts where funds of SWA shall be maintained. The Board shall approve opening and closure of any bank accounts, as well as their signatories.

- iii) The bank signatories for each individual bank account shall approve requests for any cheque books.
- iv) List of bank signatories which establishes the thresholds each is allowed to authorise and the bank accounts shall be maintained and made available for audit purposes. The schedule shall contain the exhibits of the signatures for the signatories.

**Para 1.** The management can from time to time develop other policies to enhance controls over custody of cash at bank which may include a cover letter accompanying cheque based on the grounds such as amount involved etc.

**Para 2.** All the payments via cheques must be sufficiently supported and properly requisitioned.

**Para 3.** Cheque register shall be maintained and under custody of Cashier /Finance Officer for ease of tracking the cheques. The cheque register shall bear the following details;

- ✓ Name of the PAYE;
- ✓ The amount;
- ✓ Cheque date;
- ✓ Name of the person collecting the cheque;
- ✓ Date the cheque collected; and
- ✓ Identification number of the person picking the cheque and signature.

**Para 4.** SWA shall open a **separate** bank account for each donor funded project, in which all funds received from different donors shall be banked. If and where not possible to maintain a separate bank account for each project. The following shall be taken into consideration when opening a separate account for a project;

- a) The size of the fund- SWA shall open a separate bank account if the fund is equal or higher than US\$ 100,000.
- b) The donor do not have conditions to using the existing bank accounts provided fund reconciliations are conducted.
- c) Duration of the implementation of the project- Not considering a) above, if the project can take more than 3 years then a separate bank account should be maintained.
- d) The cost of maintaining separate account- The management should consider the cost of operating a separate account. If it is cost effective then a separate bank account shall be maintained for each project whatsoever.
- e) The Grant agreement provisions- The Management shall at all times observe the conditions given in the agreement/contract between a Partner and SWA . If there is such a provision to maintain a separate bank account, then the Management shall adhere to.

**Para 4.** All the cheques must be kept under lock and key and with the custody of personnel who is not a signatory to any of the accounts.

**Para 5.** All cheques should be issued in the name of the suppliers unless it is deemed necessary to the contrary justifications should be made.

#### **5.1.1.Bank Reconciliations**

**Para 1.** One of the most effective ways of detecting errors and fraud is through bank reconciliations.

**Para 2.** The Head of Finance shall be responsible to ensure that the bank reconciliations are done and on monthly basis for all the bank accounts owned by SWA . The bank reconciliations should be done by the 10<sup>th</sup> day of each month to ensure that any anomalies are corrected or acted upon on time.

The bank reconciliations shall ensure segregation of duties on controls across the bank and cash area. SWA may establish a list of personnel participating in preparation process. Unless stated, the bank reconciliations shall be prepared by Finance Officer, and approved by Admin and finance assitant.

#### **5.1.2.Guidelines for opening a new account**

- a) The ED shall present a written request to the Board for designation and approval of any new banker/s for approval. The ED should give the details including the purpose of the account, details of the project and the bank preference etc.
- b) The Chairman of the Board shall through writing authorise the opening of the accounts in a meeting duly constituted to make such decisions.
- c) SWA shall follow the procedures required by the bank to open the account.
- d) All the information relating to the details and the necessary documents relating to the account shall be maintained in the permanent file for purposes of audits.

#### **5.1.3.Guidelines for closing bank account**

- a) The ED shall surrender a written requests with grounds under which the request is based to advise the BOD to close the account.
- b) The Chairman shall through writing authorise the closure of the account(s).
- c) SWA shall ensure proper documents relating to the closing of accounts are properly documented and available.

### **5.2. Reimbursement of petty cash book**

**Para 1.** SWA shall pay small commitments using cash not exceeding US\$ 500 through cash. As much as possible, payments using cheques will be encouraged.

**Para 2.** It shall be the responsibility of the cashier to administer petty cash.

**Para 3.** Petty cash maintained at one particular time should not exceed US\$ 1,000 and a requisition for reimbursement when petty cash is below US\$ 100. Exceptions shall be subject to Para 4.

**Para 4.** Under exceptional circumstances, The Head of Finance may upon realising several payments are to be done through cash , he may approve request upto US\$ 2,000 as petty cash as long with it will be disbursed within 2 days. This must be accompanied by special with justifications of such exceptions.

**Para 5.** The Head of Finance shall ensure surprise petty cash counts are conducted at least once in a month.

**Para 6.** Petty cash reconciliations shall be mandatory before requisitions has been authorised.

### **5.3. Procedures in requisitioning petty cash**

**Petty cashier performs**

**Payments via Sahal**

All payments made through Sahal shall be recorded in petty cash indicating that has been paid through sahal.

Separate sim card shall be maintained and registered in the name of the organization for purposes of doing sahal transactions only.

Reconciliations of cash in the sahal account will be done monthly.

## **6. Cash Receipts And Disbursements Procedures**

### **DETAILED PROCEDURES**

For detailed procedures see:

#### **Cash Receipts**

### **OBJECTIVES**

1. To ensure that all cash receipts are recorded in a timely and accurate manner.
2. To establish the policy and procedures of accounting and reporting on cash receipts.
3. To establish responsibilities in the accounting and reporting of cash receipts.
4. To ensure that all cash collections are accounted for and to establish the policy and procedures and responsibilities of accounting and reporting on cash collections.
5. To ensure that all cash collections are correctly reported.
6. To establish the policy, procedures and responsibility of accounting and reporting on cash collections and deposit.
7. To ensure that all dishonoured checks are accurately recorded.
8. To establish the policy, procedures and responsibility of accounting and reporting on dishonoured checks.

### **BACKGROUND**

The primary source of cash receipts is the interbank transfers from donors. Other sources of cash receipts include receipts arising from disposal of assets; excess travel advance returned; collections from staff for expenses paid on their behalf; receipt of bid bonds; and income from other sources such as vehicle rental income.

This policy therefore aims at assessing how these receipts are to be recorded and accounted for.

The section has been divided into four broad areas titled:

- Cash Receipts Defined
- Deposit of Collections
- Reporting of Collections and Deposits
- Procedures for Recording Dishonored Checks

### **POLICY STATEMENT**

The Head of Finance shall be responsible for properly securing, depositing, and recording all cash received. Cash receipt transactions must be processed on the same business day.

To ensure the integrity of cash receipts collections, processing and reporting, the finance unit should segregate cash receipt and processing duties conducted by employees to reduce the risk of fraudulent

activity. No one employee should control the receipt of cash and/or checks, preparation and reconciliation of daily summaries, depositing of the cash and/or checks, and recording of the transaction in the Navision system.

Where the unit cannot segregate duties, they should rotate responsibilities and increase supervision.

## **DETAILED POLICY STATEMENT**

### **6.1. Cash Receipts Defined**

All cash receipts received must be acknowledged by SWA. Ordinarily, receipts from donors are received through bank transfers. The bank may issue a notice that a deposit has been made in the SWA's bank account or in the absence of a notice, the receipt of cash is confirmed in the bank statement. A confirmation email from the Finance unit must be sent to the Program Unit who in turn will contact the donor confirming receipt of funds.

Cash received from other sources must be acknowledged by issuing a receipt to the person making the payment.

### **6.2. Deposit of Collections**

Cash collections mainly arise from receipts arising from disposal of assets; excess travel advance returned; collections from staff for expenses paid on their behalf; and income from other sources such as vehicle rental income.

All cash collections must be banked intact and in a timely manner by the cashier. Banking must not be made later than 7 days subsequent to when the collection was made.

No disbursements shall be made from undeposited receipts.

All original cash receipts shall be attached to the corresponding banking slip and submitted to the Head of Finance for review. Copies of checks banked should also be attached whenever possible. This will help in resolving any issues surrounding dishonored checks.

### **6.3. Reporting of Collections and Deposits**

As stated elsewhere in this manual, cash collections mainly arise from receipts arising from disposal of assets; excess travel advance returned; collections from staff for expenses paid on their behalf; receipts of bid bonds; and income from other sources such as vehicle rental income.

Receipts from donors also form part of the collections addressed under this section. All deposits shall be recorded in the cash book within the accounting system.

The general ledger shall be updated with all collections and deposits on a daily basis.

A reconciliation of the bank statement, deposit slips and the cash receipts will be done on a monthly basis.

#### **6.4. Procedures for Recording Dishonored Checks**

Dishonored check refers to checks which have been returned unpaid to SWA. Checks may be dishonored due to various reasons such as insufficient funds in the bank account of the drawer; errors on the check; or due to instructions issued by the drawer to his/her bank not to honor a check.

The Head of Finance ensures that all dishonored checks have been recorded in the cash book to reverse the initial entry made to record the cash received.

The reversal entry for a dishonored check should be done through a journal entry which should have enough details to explain the reason for the reversal.

Follow up must be made with the drawer to ensure that cash meant to be paid is received. Any bank charges suffered as a result of the dishonored check should be claimed from the drawer.

#### **6.5. Procedures for refunds of petty cash funds**

Personel Responsible	Seq No.	Activity
<b>Petty cash recipient</b>	1	Returns the petty cash voucher together with supporting documentation of amounts spent to the accountant.
	2	Hands over the cash refund to the petty cash custodian
	3	Receives petty cash refund from the recipient and writes an official receipt
		The OR (Official Receipt) shall be prepared in two copies and shall be distributed as follows: copy 1 is to be maintained by the custodian while copy 2 is to be given to the petty cash recipient
		Copy 1 – The custodian attaches it to the cash when presented to the accountant for banking. It shall be filed with the deposit slip.
		Copy 2 - To the Payer – To be attached to the petty cash voucher presented to the accountant with the TEC and/or supporting documents
	4	DR Cash account xxx
		CR Employee advance account xxx
	5	Submits the refund for banking.
<b>Petty cash recipient</b>	6	Presents receipt 2 together with the supporting documentation to the accountant for posting of the expenses in the general ledger

<b>Accounting unit staff</b>	7 Receives receipt 2 from the petty cash recipient together with the supporting documentation. Posts the expenses in the GL.
------------------------------	--

## **6.6. Cash Disbursements**

### **OBJECTIVES**

1. To define disbursements and the disbursements system.
2. To define the basic requirements for disbursements.
3. To describe the various types of disbursements and the manner of processing for each payment type
4. To establish the policy and procedures to be applied while effecting disbursements.
5. To ensure that cash is disbursed only upon proper authorization by management, for valid official purposes and that all disbursements are properly recorded.
6. To establish the policy and procedures of accounting and reporting on disbursements in SWA.
7. To enumerate and outline the levels for approval for SWA disbursements.

### **BACKGROUND**

The purpose of this policy is to provide guidance on the procedures that must be followed when a payment is made by SWA.

All disbursement obligations should be reviewed for budget impact, risks, legal considerations, optimal procurement practices, SWA's internal control policies, and consistency with SWA's mission.

These procedures have been established to ensure accurate and timely payment of properly authorized expenses.

The policy covers the following:

1. General considerations
2. Disbursements defined
3. Basic requirements for disbursements
4. Disbursement system

5. Adding and registering vendors and grantees

6. Limits for approval of expenses

## POLICY STATEMENT

It is the policy of SWA to make all payments by electronic transfer except for disbursements made through Petty cash, however some situations may arise that require the use of checks. SWA shall not make payments by open check under any circumstances except for petty cash replenishment.

Payments for various procurement activities shall be guided by the SWA Procurement

Policies guidelines

Project funds shall be spent or used solely for the specific purpose for which the fund was received, and it should be properly earmarked to prevent incurrence of overdraft.

## DETAILED POLICY STATEMENT

### **6.7. General Considerations**

1.1 All disbursements of SWA funds must be necessary, reasonable, and directly related to the goals and missions of the SWA.

1.2 Program heads shall be responsible for monitoring their budgets carefully and making sure in advance that program financial resources are sufficient to pay for any good or service they order or grants to partners.

1.3 Program heads (and the Head of Finance) shall also be responsible for ensuring that all eligible discounts are earned and that the payment of late charges is avoided.

1.5 The source of funds for every disbursement should always be identified before funds are disbursed.

1.6 SWA employees who make an unauthorized purchase may have their purchasing responsibilities suspended or revoked, may face additional disciplinary action including termination of employment, and may be held personally liable for any charges incurred.

### **6.7.1. Disbursements Defined**

Disbursements refer to payments made by SWA whether in the form of check, cash or bank transfer.

There are two types of disbursements made within SWA. These are:

- Grants to third parties implementing various projects.
- Procurement of goods and services.

This section is primarily concerned with disbursements made for goods and services procured by SWA.

Disbursements in SWA should be made based on the following principles:

1. Proper Value and Purpose. Disbursements should only be made for expenditures which have been incurred for a valid purpose allowable under the SWA's procurement guidelines, and are consistent with the objectives of SWA.
2. Proper Authorization. Disbursements should be suitably authorized and should be for expenditures which are duly approved by a responsible official within their authorization limits.
3. Proper Acceptance. Disbursements should, where applicable, be made only for goods or services received. Before payments are made, the responsible person in-charge should provide evidence that goods or services received were acceptable.
4. Accuracy. Disbursements should only be done after verification has been made on invoices and other relevant supporting documentation, that they are mathematically accurate and the information on the invoice (quantity, price, terms etc) is in agreement with the related purchase. Verification shall be made that the quantity on the invoice is the same as the related receiving report. In case of discrepancies, there should be an evidence of management's approval of the change.

### **6.7.2. Basic Requirements for disbursements**

All disbursements should be fully supported by complete attachments to support validity of payment.

Supporting documents required to process disbursements are:

#### **Travel**

- Approved Travel Authorization
- Approved Travel
- Expenses Claim form Purchases
- Purchase requests
- Pro-forma invoices
- Bid analysis ( at least for purchases above \$1,000)

- Purchase order ( at least for purchases above \$500)
- Original invoice
- Delivery Note/Goods Received Note (where applicable)

#### Services

- Copy of the contract (or section showing details of payment such as amount and dates)
- Invoice/Fee note
- Approval/certification of work done by the head of the department which received the service on the face of the invoice or fee slip

#### Payment to Consultant

The following shall be applicable

- Copy of the contract
- Invoice/Fee note
- Time sheet and report detailing work done
- Certification by the supervisor of the work done
- Approval by the Head of the department/Budget holder ( if different from the Supervisor)

#### Payment to Grantees

- Grant/Contract payment checklist duly approved by Grants Manager
- Copy of the contract/agreement
- Head of Finance approval

Payments are processed using pre-printed Payment Vouchers (PVs). The following details should be clearly indicated on the payment voucher:

- The date the payment voucher is prepared
- The name of the payee
- Full description of the payment
- The check or the payment reference number
- The budget line or the grant number

Payments for goods and services are made based on the terms agreed with the supplier. Ordinarily this should be within 15 days from the invoice date and /or as per the payment terms.

#### **6.7.3. Disbursement system**

Disbursements refer to payments made by SWA to third parties or employees of SWA for the payment of goods and services procured by SWA.

Disbursements may be made through the following three ways:

1. Petty cash payments
2. Check disbursements
3. Direct bank transfer/ Electronic funds transfers / Real Time Gross Settlement

#### **6.7.4. Adding and registering approved vendors and grantees**

Every vendor or grantee receiving funds from SWA must have been added and registered in the system being used at any given time before payment can be made.

##### Changing Vendor Information

Program / Unit heads may submit requests to change or add information to vendor / grantee records by filling out and submitting the vendor/ grantee change request form. Vendors may also request that some of their information be changed, for example, bank details. They may do this by sending an e-mail to the Head of Finance.

The Head of Finance will review these proposed changes and enter them in system once the information has been verified. Addition and removal from the vendors list is strictly done by administration officer. Such amendments shall be done after notification and approval by Executive Director.

#### **6.7.5. Limits for approval of expenses**

The approval limits for disbursements are set out in SWA's authorization matrix in **Appendix**

##### **1.DETAILED PROCEDURES**

Cash disbursements have further been discussed under the following headings in subsections

- A. Disbursements by Check
- B. Disbursements by Electronic Transfer
- C. Disbursements through Petty cash
- D. Credit card payments

#### **6.7.6. 7.2.1 Disbursement by Check**

##### **OBJECTIVES**

- To define payments that can be settled by check.

- To ensure that all disbursements by checks are correctly reported.
- To establish the policy and procedures of making disbursements by check at SWA.
- To establish responsibilities in the accounting and reporting of disbursements.
- To establish the policy and procedures of issuing checks to ensure all checks are accounted for
- To establish the policy, procedures and responsibility in cancellation of checks and corresponding vouchers.
- To ensure that all stale checks are accounted for.
- To establish the policy and procedures of accounting for stale checks.

## BACKGROUND

Check disbursements refers to payments which are to be effected using bank checks. This policy is part of SWA policies for cash disbursements.

It excludes HR policy on the conditions allowing a salary check to be issued, rather than a direct bank transfer

Procedures herein will enumerate actions for check disbursements. They include:

- General considerations
- Recording of checks disbursements
- Reporting checks issued and received
- Cancellation of checks
- Stale checks

## POLICY STATEMENT

Checks shall be drawn only on duly approved Payment Vouchers PV. These shall be reported and recorded in the books of accounts before they are released to the respective payees.

The use of checks is particularly discouraged at SWA and payments shall generally be done by electronic funds transfer.

Payments by checks are limited to statutory payments .

## DETAILED POLICY STATEMENT

### 1. General Considerations

- a) All checks, including payroll checks (with the exception of direct deposit payroll items) will be signed by at least two signatories.
- b) The Financial Accountant will generate checks for approved invoices through the accounting

system using "Pay Bills" and/or "Write Checks" screens where appropriate.

- c) Voided checks will have "VOID" written boldly in ink on the face and have the signature portion of the check torn out or erased. Voided checks will be kept on file with cancelled checks.
- d) All check payments must be processed through the use of a payment voucher. Supporting documents must be attached to the payment voucher.
- e) The cheque numbers of all payments should be written on supporting documentation like receipts, invoices and payment vouchers.
- f) Checks shall not be prepared on verbal authorization, unless approved by the Executive Director
- g) All checks are pre-numbered and accounted for monthly.
- h) The Head of Finance shall ensure that the invoices and payment vouchers have been marked "PAID" once they have been paid to guard against reuse.
- j) No checks may be written to "cash" or "bearer" "except for petty cash replenishment
- k) Blank checks must be stored in a locked drawer. The Head of Finance will be responsible for all unused checks.
- l) Signing of blank checks is strictly prohibited except with the written approval of the Chair of the BOD.

## **2. Reporting checks issued and received**

Only check payee or their authorized agents should be allowed to collect checks issued. Persons collecting checks must sign the check disbursement record and should produce proper identification. Persons collecting checks on behalf of their organizations should produce proper authority to collect checks.

## **3. Cancellation of checks**

Cancellation of check is permitted for the following reasons:

- Stale check
- Cancelled transaction

Cancelled checks have to be tracked because of the following reasons

- Preparation of a replacement check(s)
- Reverse previous entries in the books

#### **4. Stale Checks**

A stale check is a check which has been issued by SWA but has not been cashed by the payee for a period exceeding six months.

Stale checks are as a rule dishonoured by banks.

Stale checks should be written back to the cash book in order to remove them from the bank reconciliations.

A new check should only be reissued when the stale check is returned. Copies of the relevant payment voucher and the supporting documents, together with the returned stale check must be attached to the new payment voucher created.

### **6.7.7. Responsibilities for Petty Cash**

#### **3.1. Petty Cash Custodian Responsibilities**

The Petty Cash Custodian is responsible for petty cash, petty cash transactions, maintenance of the proper records, and the reconciliation of such. He/She is responsible for acquiring and validating original receipts, signatures, ID's of recipients and assessing if purchases through petty cash are allowed.

The Petty Cash Fund must be reconcilable at all times. The Custodian must have the actual cash or signed petty cash vouchers for any cash not on hand. He/She should count and record the Imprest fund on a **petty cash Imprest fund reconciliation sheet** at least once a week. This worksheet should be signed and dated by the Custodian.

#### **3.2. Head of Finance**

The Head of Finance should verify the Petty Cash Fund balances periodically throughout the year and, on a monthly basis, review the Petty Cash Imprest reconciliation prepared by the Custodian.

### **6.7.8. Handling Changes**

#### **4.1. Changes to the Petty Cash Fund**

The Head of Finance may request a new Petty Cash Fund, an increase or decrease in an existing fund, changes of Custodianship of funds, as well as the location of safekeeping for petty cash funds.

Responsibility	Activity
Head of Finance	Make formal request for changes to the petty cash fund by writing to the ED. The request should state the reason(s) for the change(s).
ED	Approve the recommended changes by appending his signature on the Form.

#### 4.2. Change of petty cash Custodian

The petty cash custodian shall be changed when the incumbent custodian resigns from work in SWA or is on leave.

Responsibility	Activity
Outgoing custodian	Using the Imprest fund reconciliation form, prepares reconciliation of petty cash in the safe with records.
Outgoing Custodian New custodian	Open the petty cash fund safe and witness the verification of the petty cash fund. Records and dates actual cash in the safe
HOF	Reviews the reconciliation form Hands over petty cash and supporting documentation.

#### 6.7.9. **Allowable disbursements of petty cash fund**

Petty Cash Fund is used for payment of the following disbursements:

1. Travel advances
2. Office expenses

Office expenses includes

- a. Refreshments
- b. Cleaning supplies
- c. Visa fees
- d. Reimbursement of taxis
- e. Other miscellaneous and incidental expenses such as office flowers

#### 6.7.10. **Replenishment process**

Petty cash funds will be replenished only in amounts up to the original amount advanced. All requests for replenishment must be authorized by the Head of Finance.

The accountants will then prepare a cheque to replenish the float based on the petty cash custodian's filed records of PCV and cash in hand

The following entry is made:

DR: Petty cash account payable                   xxx

CR: Cash and Bank                                   xxx

#### **6.7.11. Procedures for overages/shortages**

In case cash examinations disclose cash overage, the excess cash in the fund must be deposited in the main account. Shortages are personally paid by the Custodian subject to the same conditions as indicated under Section 10.3 on "Handling Loss of Funds."

Overages

DR: Cash and Bank                                   xxx

CR: Petty cash accounts payable                   xxx

Shortages

DR: Employee account (Custodian)           xxx

CR: Petty cash account                           xxx

#### **6.7.12. Handling of loss of funds**

In determining culpability when shortages are discovered in petty cash, the Head of Finance shall assess;

- a. The circumstances under which the shortage was discovered, (e.g. whether it was through a surprise cash count, discovery by the custodian in the course of his/her daily activity or whether the safe broken into)
- b. Whether or not the loss was due to oversight by the custodian or there was nothing he/she would have done to prevent the loss from occurring (e.g. whether the custodian left the safe open)

Funds lost for the reason that the Custodian has failed to safeguard the fund or allowed it to be improperly used is the Custodian's liability and must be repaid by the Custodian. Money lost due to circumstances beyond the control of the Custodian is repaid from the budget or other available operating funds.

#### **6.7.13. Security over funds**

- 9.1. To prevent access by anyone except the Custodian, petty cash should be kept in the safety

vault at all times.

9.2. Only the custodian and the Chief Operating Officer should have the combination to the safe. A copy of the combination should be kept away at an undisclosed and safe location other than SWA offices. This location should only be known by the ED and the Head of Finance.

9.3. In case of theft or mysterious disappearance, the Internal Audit Unit should also be notified immediately. The Head of Finance shall ensure that SWA has adequately insured the Petty Cash Fund against theft at all times.

#### **6.7.14. Reconciling funds with records**

10.1. All petty cash funds must be reconciled on a weekly basis. When advances and reimbursements by the Custodian deplete the amount of cash, receipts are totalled to account for the expenditures and keep the Petty Cash Fund in balance.

10.2. At any time, the total cash on hand plus the total PCVs should equal the original amount of the Petty Cash Fund. A petty cash fund should always be reconciled before a request is made for replenishment.

#### **6.7.15. Accounting for Petty Cash Transactions**

11.1. Proper accounting for petty cash requires that the petty cash custodian make payments for authorized expenditures only. The petty cash recipient MUST make an account of how the funds were spent, if this is not done, the petty cash advance shall remain in the employees' personal account to be recovered through payroll.

11.2. A payment voucher is raised during replenishment. Posting into the general ledger should be done at the time of replenishment.

## 6.8. Documents and Forms

The following is a list of recommended documents and forms for SWA's petty cash management

Petty cash request Travel Advance	Used by the party requesting petty cash (hereon referred to as the requesting personnel) to seek approval from his or her supervisor. It is presented to the petty cash custodian for release of petty cash once duly approved.
Petty Cash Voucher (PCV)	Filled in duplicate by the petty cash custodian. The recipient of petty cash signs to acknowledge receipt of funds. One copy is given to the requesting personnel the other copy is retained by the custodian for his/her
Travel Expense Claim form TEC / Petty Cash Claim	It is used by the requesting personnel to account for the advance given. For travel the TEC is used, for other petty cash transactions, the PCC is used
Imprest Fund Reconciliation Form	Used for periodic reconciliations of the Petty Cash Fund. To be done once every week. It shall also be used when the petty cashier is changed.
Received Receipt of Petty Cash	Used to acknowledge the receipt of petty cash by the Custodian when the recipient did not use all the petty cash given.
Petty Cash Replenishment Report	Prepared by the petty cash custodian when requesting for replenishment

## DETAILED PROCEDURES

The procedures are broken down as follows:

1. Receipt of check for the establishment/replenishment of the Petty Cash Fund
2. Utilization of Petty Cash Fund
3. Liquidation of Petty Cash Advance
4. Replenishment of Petty Cash Fund

Detailed procedures for petty cash are as follows:

Person Responsible	Seq. No.	Activity
Head of Finance	1	<p><b><u>Receipt of check for the establishment/replenishment of Petty Cash Fund</u></b></p> <p>Receives the request for replenishment from the petty cash custodian. He/She prepares a payment voucher and check and presents them for approval and signature from the Head of Finance.</p>
ED	2	Reviews the request for replenishment and signs the check.
Authorizing agent	3	Encashes the check and submits it to the petty cash custodian
Petty cash custodian	4	keeps the cash in a safety vault, records the replenishment in the GL
Requesting Personnel	5	<p><b><u>Utilization of Petty Cash Fund</u></b></p> <p>Makes a request for petty cash by filling a Travel Authorisation (TA) for travel advances or Petty Cash Request (PCR) for other petty cash requests be they advances or reimbursements.</p>
Immediate Supervisor	6	Approves the request for petty cash.
Requesting Personnel	7	Submits PCR or TA to the petty cash custodian for the release of funds.
Petty Cash Custodian	8	Receives from the requesting personnel the PCR/TA duly approved by concerned personnel.
	9	Grants the petty cash advance and, fill the petty cash voucher in duplicate. He/She signs the 'Paid by' portion of the PCV.
Requesting Personnel	10	Receives petty cash and signs the 'Cash Received by' portion of the PCV

Petty Cash Custodian	11	Issues Copy 2 of the PCV to requesting personnel. Files copy 1 of the PCV and the PCR/TA
	12	<p>Records the issue of petty cash in the Quickbooks system .</p> <p>Under the cash management screen, selects a payment journal and fills up the following columns: date, reference, name of payee, nature of payment, bank details(in this case petty cash account) and cash advance balance</p> <p>DR: Employee travel/personal account                   xxx CR: Petty cash account                                   xxx</p>
	13	Files the original of PCV awaiting liquidation.
Requesting Personnel	14	<p><b><u>Liquidation of Petty Cash Advance</u></b></p> <p>Keeps all receipts supporting the utilization of the petty cash advance</p> <p>Fills out a Travel expense claim form (TEC) or a petty cash claim form PCC indicating how the cash advanced was utilized.</p> <p>Submits the TEC/PCC to the accountant together with the supporting documentation</p>
Petty cash custodian	15	<p>Receives any refunds of petty cash from the requesting personnel and issues him with a receipt</p> <p>Makes the following entry into the Quickbooks system</p> <p>DR: cash   xxx CR: Employee travel/personal account           xxx</p> <p><b>Note:</b> the receipt is prepared in duplicate.</p> <p>Copy 1 is retained by the custodian to be attached to the refunds for banking. After banking, it is filed with the bank deposit slip</p> <p>Copy 2 is given to the requesting personnel. The requesting</p>

HOF Accountant	16	<p><b>If the petty cash request was for travel:</b> Receives from personnel a Travel expenses claim form TEC, Copy 2 of the PCV together with supporting documents (and copy 2 of the refund receipt where applicable)</p> <p><b>If the petty cash request was for other office expenses:</b> Receives from Requesting Personnel a Petty cash claim form PCC, Copy 2 of the PCV together with supporting documents (and copy 2 of refund receipt where applicable).</p>
	17	Checks and reviews completeness of documents such as the date, amount, and nature of expenses paid as shown in the supporting documents
	18	Returns Copy 2 of the PCV to the Requesting Personnel.
	19	Stamps "POSTED" on the TECF/PCCF together with the supporting documents and files the same.
	20	<b><u>Replenishment of Petty Cash Fund</u></b>
Petty Cash Fund Custodian		<p>Retrieves from file the original PCV together with the PCR/TAs</p> <p>Checks the completeness of all PCVs for replenishment</p>
	21	Prepares the Petty Cash Replenishment Report (PCRR) based on PCVs in numerical sequence and fills up the following columns: date, doc No., particulars, and amount
	22	Signs in the 'Certified Correct by' portion of the PCRR Forwards the PCRR to the accountant for replenishment
Accountant	23	Based on the PCRR, prepares a Payment Voucher. Forwards the PV, the PCRR and PCV, and supporting documents to the Finance Manager for review and signature
Head of Finance	24	Signs the PV and check
Authorizing agent	25	Encashes the check and submits it to the petty cash custodian.
Petty cash custodian	26	keeps the cash in a safety vault records the replenishment in the float register

## 7. Property Plant And Equipment

### OBJECTIVES

- To define what is considered as constituting property, plant and equipment (PPE).
- To define SWA's capitalization policy.
- To establish the policy and procedures for budgeting for PPE.
- To establish the policy, procedures and responsibilities of accounting and reporting on PPE.
- To ensure control over fixed assets through the maintenance of an assets' register.
- To establish policy and procedures of carrying out physical count of fixed assets.
- Provide guidelines on the issuance of assets to staff members. BACKGROUND
- Property, plant and equipment, commonly referred to as fixed assets constitute a major part of total assets of SWA. Significant investment of funds is made in fixed assets to enable SWA undertake its operations effectively.

This policy will cover:

1. Defining PPE
2. Capitalisation policy
3. Budgeting
4. Control over fixed assets; Asset register
5. Physical count
6. Issuance of assets to staff members
7. Maintenance and Insurance

### POLICY STATEMENT

SWA seeks to maintain appropriate records of control and accountability for all of its capital assets, which are considered to be property, plant and equipment.

### DETAILED POLICY STATEMENT

#### 7.1. PPE defined

PPE is defined as tangible assets that are held by SWA for use in the running of the day-to- day activities and have been acquired or constructed with the intention of being used or being available of use for more than one financial year.

Items of PPE are classified under various categories including: land and buildings; machinery; motor vehicles; furniture and fixtures; office equipment; and computer equipment. PPE categories are dependent on the nature and size of an organization's business.

## **7.2. Capitalization policy**

Only capital equipment with an acquisition cost of more than USD 1, 00 individually or in aggregate shall be capitalized. This threshold shall be reviewed from time to time based on prevailing circumstances relevant to SWA.

The classifications tabulated below shall apply at SWA:

<b>Category</b>	<b>Examples</b>
Office equipment	Air conditioning equipment, televisions, projectors,
Furniture and fittings	Office desks, chairs, filing cabinets, partitioning, carpeting, fire-fighting
Computer equipment	Computers, copiers, printers, servers, network equipment
Vehicles	Motor vehicles, motor cycles

Other classes may be added on a need basis.

Any department within SWA may initiate the purchase of a fixed. However, such an item may only be recognized as an item of PPE with the approval of the Head of Finance. Any purchase not approved will be classified as an expense.

## **7.3. Budgeting**

The Head of Finance in consultation with departmental heads will, before the start of every financial year, ensure that a PPE acquisition budget is prepared, listing the assets to be procured during the financial year to meet the needs of the various departments within SWA. The PPE budget is approved by the Budget review and Monitoring Committee.

## **7.4. Control over fixed assets**

It is important to maintain a fixed assets register to help keep track of details of each fixed asset ensuring control and preventing misappropriation of assets.

An assets register also helps in the accurate computation of depreciation as well as facilitating insurance valuations needs.

The Head of Finance shall ensure that SWA maintains an assets register of all its assets. The assets register shall record:

- The description of the asset
- The serial number (where applicable)
- The tag number
- The location of the asset
- The date of purchase
- The date of revaluation (where applicable)
- The cost of the asset
- Estimated useful life
- The accumulated depreciation
- The staff responsible for the safeguard of the asset
- Insurance coverage
- The date of disposal

#### **7.5. Physical count**

The Executive Director shall ensure that there is a physical count of all the fixed assets at least once annually. The count shall be done by at least two persons one of whom shall be independent of the Finance Function.

The physical count outcome shall be compared to the fixed assets' register and the general ledger and any discrepancies investigated.

#### **7.6. Issuance of assets to staff members**

Certain assets/equipments may be placed under the care of specific employees. Examples include computer machines, telephone handsets, motor vehicles, printers, cameras, etc.

The equipment/assets issued to employees are for enabling them carry out their duties and are generally allocated on a need and availability basis.

All equipment/assets allocations to members of staff shall be authorized by the ED.

The Heads of Department/Units shall be responsible of ensuring that assets allocated to their units are

safeguarded. However, individuals who have been allocated assets/equipment on an individual capacity shall be responsible for such equipment/assets.

Request for equipment/assets by members of staff shall be made to the ED through the Head of the respective Unit.

For further guidance on issuance of motor vehicles, see SWA's guidelines for allocation and disposal of office vehicles.

## **7.7. Maintenance / Insurance of Fixed Assets**

Continuous maintenance will be done by the administration unit upon request by departments/ units or on a need basis.

### **DETAILED PROCEDURES**

Detailed accounting procedures have been broken down into

7.7.1 Acquisition of PPE

7.7.2 Depreciation

7.7.3 Disposal of PPE

### **7.7.1.Acquisition of PPE**

#### **OBJECTIVES**

- To establish the policy and procedures of accounting and reporting on newly acquired PPE.
- To establish responsibilities in the accounting and reporting on newly acquired PPE.

#### **BACKGROUND**

- This policy document establishes procedures for accounting for acquisition of fixed assets. It applies to the assets utilized by SWA and not those of grantees.

#### **POLICY STATEMENT**

The cost of an item of property, plant and equipment in SWA shall be recognised as an asset if, and only if:

- (a) It is probable that future economic benefits associated with the item will flow to SWA; and

(b) The cost of the item can be measured reliably.

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost. The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date.

After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

#### DETAILED POLICY STATEMENT

1. An item of PPE which qualifies for recognition as an asset will initially be measured at cost. The cost of an item of PPE comprises:

- a. Its purchase price, including import duties and non-refundable purchases taxes, after deducting any discounts and rebates.
- b. Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

- c. The initial estimate costs of dismantling and removing the item and restoring the site on which it is located.
- 2. An item of PPE acquired through non-monetary grants will be recognized at fair value at the date of the grant. Such grants will be presented in the statement of financial position as deferred revenue and will be taken into account as revenue on a systematic and rational basis over the useful life of the asset.
- 3. An item of PPE acquired on credit or by installment is recorded at its cash purchase price. The difference between the credit and the prices, if any, will be considered as financing cost to be amortized over the credit period.
- 4. Subsequent to initial recognition as an asset, an item of PPE will be carried at its cost less depreciation and any accumulated impairment losses. An item of PPE may also be subsequently carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation.
- 5. Revaluations shall be done with sufficient regularity such that the carrying amount does not differ materially from that which would be determine using fair value at the balance sheet date. When an item of PPE is revalued, the entire class of asset to which it belongs must be revalued.
- 6. In determining the cost of an asset, the asset unit must first be identified. Where an operating unit has a number of dependent components (such as a computer) and the functioning of the unit depends on all of those components being present, the value of the unit will include all the components. The component parts may individually cost less than \$5,000 but collectively, as a total unit, cost more than \$5,000. For example, a computer monitor, keyboard, CPU and operating system would be considered one functional unit since their effective operation depends on all components being present. Printers are not part of the PC unit but a stand-alone item, therefore, they must cost >\$5,000, before being recognised as an asset for accounting purposes.
- 7. The cost of an asset for accounting purposes must include the purchase cost and all incidental costs associated with getting the asset ready for use. For example, such incidental items could include freight and installation charges. Where an existing asset is traded as part consideration for a new asset the cost of the new asset is the gross value of the invoice i.e. the value before allowing for the trade amount.
- 8. The cost of major alterations or improvements to an existing asset may also be added to the cost of the asset if the overall value or the useful life of the asset is significantly increased.

9. Where an item of PPE is to be constructed, the cost of all components including salaries and materials should be included in determining the final cost of the unit.

## DETAILED PROCEDURES

PPE is initially recognized at cost

The steps include

1. Recognition of the asset in the books of account
2. Insertion in the asset in the register
3. Assigning the asset to the user
4. Use of the asset, asset log
5. Safe keeping of documents

### **7.8. Depreciation**

#### OBJECTIVES

- To establish the policy and procedures of accounting and reporting on depreciation.
- To establish responsibilities in the accounting and reporting of depreciation.

#### BACKGROUND

Depreciation is the allocation of the total acquisition cost of a capital asset over its estimated useful life.

A provision for depreciation is recorded in the financial accounting system to reflect the net asset value of property plant and equipment during their useful lives. Depreciation matches the expenses against revenues for a reporting period.

#### POLICY

The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. SWA utilizes the straight line method to determine the depreciable amounts, at annual rates estimated to write off the carrying value of the assets over their expected useful lives. The currently used rates are:

PPE Category	Expected useful life	Annual depreciation
Motor vehicles	Five years	20.00 %
Office Equipment	Five years	20.00 %
Furniture and fittings	Eight years	12.50 %
Computer equipment	Three years	33.33 %

The Head of Finance shall review the depreciation rates at each year-end to determine if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset. Rates for other classes not included above shall be created on a need basis.

#### Fully Depreciated Capital Assets

Because depreciation is intended to allocate the cost of a capital asset over its entire useful life, it normally is not appropriate to report assets still in service as fully depreciated. However, because differences may occur between estimated useful lives used for depreciation computations and actual useful lives, SWA shall, report capital assets that are fully depreciated, but only if such balances are material.

If the balances of fully depreciated capital assets that remain in use are material, the related estimated useful lives should be changed. Buildings are not considered fully depreciated if renovations and improvements have been capitalized as separate assets and the combined amounts (initial costs plus renovations/improvements) are not fully depreciated.

#### DETAILED PROCEDURES

The entire cost of an asset is depreciated. Depreciation is allocated monthly over the estimated useful life of the capital asset.

Depreciation is commenced in the first month after the asset is placed into service. Fixed assets are depreciated on a straight line basis over their estimated useful life.

#### **Straight-line depreciation**

The straight-line method of depreciation is based on the principle that each accounting period of the asset's life should bear an equal amount of depreciation.

As a result, the depreciation charge for the asset can be calculated using the following formula:

$$\text{Depreciation} = (C - R) / N$$

Where:

C = Cost of the asset

R = Residual value of the asset

N = Useful economic life of the asset (years)

### **7.9. Disposal**

#### **OBJECTIVES**

- To provide guidance on the disposal of property, plant and equipment (PPE).
- To ensure that all disposal of PPE have been properly and accurately recorded.

#### **BACKGROUND**

Long-term assets under PPE are disposed for various reasons including;

- They may no longer be required.
- They may no longer be suitable for use within the operations of SWA. This may be due to various reasons such as the availability of new and more efficient technology or simply age.
- They may no longer exist as they may have been lost or stolen.
- They are required to be disposed of under a particular policy e.g. motor vehicle.
- Occupying storage space and not being needed in the foreseeable future.
- Reaching their optimum selling time to maximise returns.
- No longer complying with occupational health and safety standards.
- Found to contain hazardous materials.
- Beyond repair but able to be sold for scrap.

#### **POLICY**

1.1 The purpose of this policy is to provide the means for the disposal of fixed assets.

1.2 The policy aims to achieve the best possible outcome for SWA by gaining the best available net return when selling and to ensure SWA is even-handed, open and honest in all dealings. The best value outcome to SWA must be a major consideration when disposing of assets .All disposals shall be handled through the Disposals Committee.

1.3 The ED decides on any PPE which may no longer be required by SWA. When an asset is no longer required by SWA, it should be sold. Such assets may be sold either to staff or third parties. In both cases the laid down procedure for disposal should be followed.

1.4 Where an asset is deemed to be no longer fit for use, consideration must be given as to whether the asset can be sold on to a third party or whether the asset will simply have to be scrapped or donated. If the asset may be sold it should be sold as per the procedures and guidelines outlined below.

1.5 Lost or stolen assets must be reported at the earliest reasonable opportunity. It is the responsibility of the staff to which any PPE has been allocated to report any loss of the same. Any loss must be reported to the HRM and the Departmental Head. The officer responsible for insurance must also be informed. Whenever possible, the police should also be informed and a crime number/report be given to the member of staff who has lost the asset/or from whom the asset has been stolen. These details should be passed to the officer responsible for insurance.

1.6 If the asset is not recovered details of the loss and any insurance receipt should be forwarded to the Head of Finance. All disposal of PPE must be recorded promptly in the books of SWA.

1.7 The carrying amount of an item of PPE shall be derecognized on disposal or when scrapped, that is, there are no future economic benefits expected from its use or disposal. Gains or losses arising from the derecognition of an item of PPE shall be included in "Other Income" in the year in which the item is derecognized. The gains or losses arising from the derecognition of an item of PPE shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.8 Asset disposal decisions, and the reasons for taking them, should be documented.

Not only does this assist in audit and other examinations, but it highlights successes and problems for future reference.

1.9 Non-disposal of obsolete equipment only takes up space and deprives SWA of income without any offsetting benefit. Disposal should be based on a fair market value for each surplus item. The price established will be based on current market value and condition of the equipment. The sale price must be the best market price and under no circumstances may goods be donated to staff.

#### DETAILED PROCEDURES

Assets identified for disposal may be dispensed with using various methods. The following criteria will be considered in relation to the disposal of assets:

- a) The number and type of known potential purchasers of the assets;
- b) The original intention for the use of the asset when purchased;
- c) The original method and intent of SWA in obtaining ownership /custodianship of the asset (e.g. a bequest)

- d) The current and possible preferred future use of the assets;
- e) Total estimated value of the sale
- f) Timeframe and timeliness of the sale transaction

Acceptable methods of disposal are:

1. Disposal by sale
2. Donation of assets
3. Trade-in
4. Disposal by scrapping
5. Loss of PPE

Choice of the most appropriate disposal option will normally be influenced by the nature of the goods for disposal and by their location and market value.

In all cases, assets disposed of must be reported on an 'Asset Disposal' form to ensure they are removed from the central asset register.

A more detailed description of each disposal option is set out below:

#### **Disposal by sale**

The nature of assets for disposal by sale will influence the strategy option adopted by SWA. Options include:

##### **1. Direct sale through public advertisement**

Direct sale involves assigning a price to the item(s) and publicising the items availability for sale and the price in a suitable manner. This may range from a newspaper advertisement to a general email notice.

To ensure a fair price is paid in the case of a private sale, an independent person (outside the unit concerned and with appropriate expertise e.g. information technology services) in the case of computers) should be involved and confirm that the sale price is appropriate.

Prospective buyers should be given adequate opportunity to inspect the goods prior to sale. Collection or forwarding of the goods shall be contingent on the presentation to SWA of evidence of payment of the sale price.

The item may on receipt of an offer, be sold to the first person to make such an offer.

## 2. Public auction

Sale by public auction often produces very little proceeds and is therefore not the preferred method of disposal. However, if it is perceived that there would be little response to a public tender and a public auction is likely to produce greater proceeds, PPE may be sent to auction.

The procedure for arranging disposal of equipment by public auction is as follows:

- An Asset disposal form showing all of the relevant details is to be prepared by the Administration Manager and forwarded to the Head of Finance.
- The Head of Finance will obtain approval from the ED.
- The Administration Manager will arrange for the items for auction to be delivered to the auctioneer's premises after the Asset disposal form has been duly approved by the ED. Acknowledgment of receipt will be obtained from the auctioneer on a copy of the Asset Disposal form, which will be forwarded to the Head of Finance for accrual.
- A cheque for the proceeds of the items sold by auction (less commission), together with an itemised sale advice, will be forwarded by the auctioneer to the Head of Finance. The sale advice will be cross-checked to the relevant Asset Disposal form

## 3. Private sale by an agent acting on behalf of SWA

SWA may in some circumstances engage an agent to undertake the disposal by sale of goods.

Where an agent is to undertake sales on behalf of SWA, it is important to advise the agent, in writing, of the SWA's instructions relating to the sale. Information might include timeframe for sale, target revenue, condition and location of assets, reserve price, and end- user restrictions.

This advice is the formal agreement or contract with the agent and constitutes the authority for the agent to undertake the sale in accordance with the SWA's requirements. The advice should be signed by the ED.

## 4. Open tender through public advertisement.

Items with an initial cost of \$10,000 or more must be disposed of by public tender unless the item is more than 10 years old.

Other items may be disposed of by tender where the items are known to have a market value but the amount is unclear.

Tendering is the most expensive disposal procedure and should only be undertaken where there is a clear net return to SWA from such a process.

### **Procedures to recognise disposal by sale in SWA's books.**

Finance department receives notification of successful bidders from the administration manager so as to await payment. Cashier receives payment, issues official receipt to the purchaser, to be presented on collection of goods. The purchaser is advised that, for payment by cheque, 3 days is required to ensure cheque clearance. Receipts are to be annotated accordingly.

Finance Department notifies the Admin Manager that payment has been made. The following accounting entries are made:

With the initial acquisition cost of the asset;

DR: Disposal account    xxx

CR: Asset account                xxx

With the accumulated depreciation amount

DR: Accumulated depreciation account    xxx

CR: Disposal account                xxx

With the tendering costs

DR: Profit and loss account                xxx

CR: Disposal account                xxx

With the proceeds from disposal

DR: Cash                xxx

CR: Disposal account                xxx

The difference in the disposal account is the gain or loss on disposal

### **Donation**

Where the SWA has determined that goods have no residual value, and where their disposal is therefore unlikely to produce offsetting revenue, it may authorise the donation of the goods to another organisation.

Ideally, such donations should be to organisations and not to individuals. Organisations with a community service role are recommended. This includes schools, charities and volunteer organisations.

Donations must be approved by the ED and there must be confirmation by the Head of Finance that the goods have no residual value and no significant market value.

The following accounting entries are made: With the initial acquisition cost of the asset;

DR: Disposal account xxx

CR: Asset account xxx

With the accumulated depreciation amount

DR: Accumulated depreciation account xxx

CR: Disposal account xxx

The difference in the disposal account is the loss on disposal

### **Transfer of the asset to another country office**

In some cases, an asset may have no use for one country office but may be of value to another. In such case, the asset may, with the agreement of both offices be transferred. Such transfer may be at no cost to either office or entail a fee or price negotiated by the two offices concerned.

There will be no entry in the books of account as this transfer does not change the ownership of the assets.

### **Trade-in**

Items may be traded in where this maximizes the net return to the SWA. The asset number of the item traded-in and the value of the trade-in should be shown on the Purchase Order.

Where assets are disposed of in part exchange for a new replacement, procedures applicable to both the acquisition and sale of assets will apply. The responsibility for negotiating the part exchange proceeds remains with the Admin Unit who should be consulted in the first instance. Part exchanged assets must only be returned to the original manufacturer or supplier.

The following accounting entries are made: With the initial acquisition cost of the asset;

DR: Disposal account xxx

CR: Asset account xxx

With the accumulated depreciation amount

DR: Accumulated depreciation account xxx

With the agreed trade in value of the old asset

The difference in the disposal account is the gain or loss on disposal

## Disposal by scrapping

Items with no market value and no use to any other organisation or person may be destroyed in an appropriate and safe manner.

Assets may be scrapped in the following circumstances: -

- Cost of repair exceeds replacement cost; or
- There is no market for the sale of the asset, or
- There is a significant health and safety risk from continued use.

An 'Asset Disposal' form must be completed and authorised by the ED and forwarded for updating of the fixed asset register by the administration department.

## Cannibalization of Equipment for Parts

In the event that an asset is no longer in service and its component parts are removed and used to repair other equipment, once that asset can no longer be used for its original purpose, that asset is considered to be retired and must be disposed of following the procedures outlined here.

## Loss of PPE

For any assets that have been stolen or suffered a casualty loss, the user department must notify the Administration and Finance of the loss. Additionally, for any assets that have been stolen, the employee to whom the asset was assigned must notify his/her supervisor, and the police IF POSSIBLE.

**Para 1.** SWA shall conduct physical verification on **half yearly basis** and shall maintain evidence Asset Verification Sheet of the exercise.

**Para 2.** The Head of Finance should review the assets the register after verification is done.

**Para 3.** Assets shall be recorded in the financial statements as per International Accounting Standards provisions (IAS 16) unless justified by the management.

The BOD reserves the right to review economic life of any class of asset and adjust for the depreciation rates accordingly.

In such circumstances, the BOD shall in documentations through minutes substantiate resolutions advising the amendments.

i) Movement of assets

- a) There may be movement of assets from one project/unit to another, either for administrative purposes, permanent transfers or any other reasons. These transfers shall be wellEDrdinated and recorded to enhance custody of assets by filling the "Assets Transfer Form". All asset movement shall have to be recorded in the Assets Transfer Form and accordingly signed by the vote holders of the two units/departments involved in such a movement.
- b) Officers charged with responsibility over assets shall be expected to take appropriate care to ensure proper handling and avoidance of loss or theft. Any loss or theft of property shall be reported to the Head of Finance who shall investigate, prepare a report and forward it to the ED for action, including informing the insurers.

## **8. Receipts / Collections From Donors**

### **OBJECTIVES**

1. To establish the policy and procedures of accounting and reporting on revenue received from donors.
2. To establish responsibilities in the accounting and reporting of funds received.

### **BACKGROUND**

#### **Definitions**

1. Revenue is the gross inflow of economic benefits during a specific financial period arising in the course of the ordinary activities of SWA where those inflows result in increase in net assets. The major portion of SWA's revenue is normally derived through the receipt of Donor grants which may either be "Unrestricted" or "Restricted".

### **Unrestricted Grant Revenue**

2. Unrestricted grant revenue arises from the unconditional transfer of cash or other resources to SWA from a donor agency which SWA may use freely for whatever purpose may be deemed fit.

### **Restricted Grant Revenue**

3. Restricted grant revenue arises from Unconditional transfer of resources to SWA with certain restriction(s) on how or where the funds may be utilized. Restricted grants are received in support of specific projects, activities or thematic intervention(s) mutually agreed upon by SWA and the donor(s). The level of restriction may vary depending on the donor(s) objectives. There are two categories of restricted grants

a) Temporarily restricted revenue – this is grant income whose use is limited by either donor-imposed time restrictions or purpose restrictions. Time restrictions require resources to be used in a certain period or after a specified date. Purpose restrictions require resources be used for a specific purpose.

b) Permanently restricted revenue – these are net assets that the donor stipulates must be maintained by SWA in perpetuity. The donor-imposed restrictions neither expire with the passage of time nor can be removed by SWA meeting certain requirements.

### **POLICY STATEMENT**

Unrestricted grants are recognized as revenue in the year in which the grant is pledged as long as collection is probable. If a pledge is cancelled within the same financial period that it is pledged, it is written off and charged against revenues of that financial period. If a pledge or part of it is judged to be uncollectible in a subsequent financial period, it is written off as a bad debt in the financial period in which it is considered uncollectible.

Restricted grants may be pledged for more than one financial year, or for shorter period within one financial year, and are consequently recognized as unrestricted revenue only to the extent that related expenses, plus overhead if allowable under the grant, have been incurred. The principle is that restricted grants are recognized when received/pledged but remain categorized as 'Temporarily restricted grants'. They are reclassified as unrestricted grants when earned.

## DETAILED PROCEDURES

### Unrestricted grants

Unrestricted revenue is recognized when a firm pledge has been made. DR: Due from Donor                   xxx  
CR: Unrestricted Grant income                   xxx

To record donor pledge

On receipt of cash from the donor

DR: Cash   xxx

CR: Due from donor                           xxx

To record receipt of grant from donor

For grants received in currencies other than US Dollars, the following entry is prepared to recognize the difference the in US Dollar equivalent in the grant account, (at the time of pledge and receipt) if receipt is within the year it is pledged:

DR: Unrestricted Grant Income                   xxx

CR: Due from Donor                                   xxx

To recognize decrease in US Dollar converted value of grant receipt.

This applies if the US Dollar converted value of the grant at the time of the receipt is lower than the converted value at the time of pledge.

DR: Due from Donor                           xxx

CR: Unrestricted Grant Income                   xxx

To recognize increase in US Dollar converted value of grant receipt.

This applies if the US Dollar converted value of the grant at the time of the receipt is higher than the converted value at the time of pledge.

No gain or loss is recognized if grant is received in the same year that it is pledged.

Gain or loss is recognized if grant is received the following year.

The following entry is prepared to recognize gain or loss from foreign exchange resulting from differences in US Dollar converted values (at Dec 31 of the year of pledge and receipt):

DR: Due from Donor                   xxx  
CR: Gain/Loss from Forex           xxx

To recognize gain from foreign exchange

This applies if the US Dollar converted value of the grant at the time of the receipt is higher than the converted value at Dec 31 of the year of pledge.

DR: Gain/Loss from Forex           xxx  
CR: Due from Donor                   xxx

To recognize loss from foreign exchange

This applies if the US Dollar converted value of the grant at the time of the receipt is lower than the converted value at Dec 31 of the year of pledge.

If pledge is cancelled in the same year that it is pledged, the following entry is prepared

DR: Unrestricted Grant Income       xxx  
CR: Due from Donor                   xxx

To record cancelled pledge from donor.

For grants not received within the following year from the time of pledge, the following entry is prepared to set up allowance for bad debts:

DR: Bad Debts Expense               xxx  
CR: Allowance for Bad Debts       xxx

To set up an allowance for bad debts

If a pledge is received the year after the allowance set up, the following entry is passed

DR: Cash in Bank                   xxx  
CR: Other income                   xxx

To record receipt for donor's contribution after write off or provision for bad debts.

### **Restricted grants**

Restricted grants are recognized in full when received. This approach requires that restricted grant

income be reported in full in the year received, in the temporary classifications of net assets. Grants are recognized as income as received and expenditures are recognized as incurred.

The unexpended income is reflected as part of temporarily restricted net assets. Say for example a donor pledges USD 1,000,000 in 2010 specifically for the program.

When the pledge is made:

DR: Due from donor	USD 1,000,000
CR: Grant income	USD 1,000,000

Shortly thereafter, the donor pays half of the grant amount

DR: Cash and Bank	USD 500,000
CR: Due from donor	USD 500,000

## **8.1. Other Receipts / Income**

### **OBJECTIVES**

- To ensure that all other revenue received are accounted for accurately.
- To establish the policy and procedures of accounting and reporting on other income.
- To establish responsibilities in the accounting and reporting of other income.

### **BACKGROUND**

Other income/revenue and gains are increases in net assets resulting from SWA's peripheral or incidental transactions; and other events and circumstances within SWA other than those that result from grants. Such revenues include, but are not limited to: proceeds from the disposal of assets; investment income; proceeds from the rendering of services; and unrealized gains among others.

### **POLICY STATEMENT**

When gains from other sources other than grants are recognized in the income statement, they are displayed separately because knowledge of them is useful for the purposes of economic decisions.

Other revenues and gains are recognized in the period in which they are earned as long as:

- a. It is probable that the economic benefits associated with the transaction will flow to SWA; and
- b. The amount of the income can be reliably measured.

Other revenue shall be recognized on the following basis:

- Interest – shall be recognized using the effective interest method
- Royalties – shall be recognized on an accrual basis in accordance with the substance of the relevant agreement.

### **DETAILED PROCEDURES**

As stated elsewhere in this document, other income includes:

1. Donations / Gifts-in-kind
2. Income from free Use of facilities
3. Interest income

## Donations / Gifts-in-kind

Supplies received as a donation should be recorded at the amount which SWA would normally have to pay for similar items. A valuation for the supplies can be obtained from a dealer in such items.

DR: Supplies xxx  
CR: Other income -Donation xxx

Contributions of fixed assets shall be recognized as temporarily restricted income at the time received. The restriction is deemed to expire ratably over the useful life of the asset; that is in proportion to the depreciation for depreciable assets.

### When the asset is received

DR: Property plant and equipment xxx

CR: Other income (Temporarily restricted donation income) xxx

At the end of the year, the depreciation amount of the asset is recognized as unrestricted income as follows

DR: Other income (Temporarily restricted donation income) xxx

CR: Accumulated depreciation xxx

CR: Other income (Unrestricted donation income) xxx

Note: Land would remain as temporarily restricted until sold, any apportionment over the years would not be in conformity with GAAP.

## Use of facilities

The use of facilities may arise when SWA allows its partners to use its facilities at a cost. In this case the partner's contribution to overhead costs shall be treated as an income as follows:

DR: Cash xxx

CR: Other income xxx

If SWA is allowed use of a building or other facilities at no cost or at a substantially reduced cost, the value reflected for such a facility in the in books of SWA should be both as an expense and an income.

The value to be used should be the fair market value of the facilities which SWA would otherwise have rented.

DR: Rent expense (say office space facility)      xxx

CR: Other Income – use of facilities xxx

## **9. Internal Control Framework**

### **1.1. Components of internal control**

- a) The Control Environment**
- b) Risk Assessment**
- c) Control Activities**
- d) Information and Communication**
- e) Monitoring**

#### **a) The Control Environment**

The control environment is concerned with the actions, policies, and procedures that reflect the overall attitude of the organisation top management, directors, and owners of an entity about internal control and its importance.

To ensure strong internal control environment., SWA shall put in place segregation of duties and documented in authorization matrix with clear functions to ensure strong internal control environment over functions within the organization.

#### **b) Risk Assessment**

SWA shall ensure identification and analysis of risks relevant to the day to day activities. SWA shall have in place a risk register with defined risks, mitigation measures and person with the responsibility around the areas and functions within the organization.

#### **c) Control Activities**

SWA shall institute the controls on the risk identified through risk mapping. The controls shall be mapped on each identified risks.

#### **d) Information and Communication**

SWA shall ensure the internal control framework is embedded in the relevant staff orientation trainings and needs assessed training particular in their areas on operations.

The orientation trainings are done for newly recruited staff and during refresher trainings.

**e) Monitoring**

Monitoring practices and mechanisms to be put in place to ensure strong internal control mechanisms through internal audits, continuous risk mapping and regular trainings.

**Definitions and explanations**

Segregation of duties means dividing the processing of a financial transaction between staff so that work done by one person is reviewed by another, and to ensure no one person has complete control of the process.

An effective control system ensures that procedures are in place that meet the following objectives:

- a) Adequately safeguard the cash, property and other assets of the head office
- b) Ensure that all financial transactions are appropriately documented and approved by authorised staff
- c) Funds are expended in accordance with donor requirements and limits;
- d) Ensure that financial reporting is accurate, timely and conforms to SWA policies;
- e) Staff training and documentation of policies and procedures are also elements of control.

**1.2. Segregation of Duties**

There must be segregation of duties so that no one person has control of the whole of any financial process. For example, financial transactions must be prepared by one person and reviewed by another; one person **cannot** be responsible for authorising a purchase, making the purchase and paying for it.

The chart below includes other examples of the appropriate segregation of duties:

<b>Person who</b>	<b>Should not</b>
Prepares vouchers	Approve vouchers
Prepares cheques	Sign cheques
Has access to blank cheques	Post payments to the ledger
Receives cash	Record cash receipts
Prepares bank deposits or records cash receipts	Prepare bank reconciliation
Is responsible for the physical security of assets	Perform the physical inventory of assets

<b>Person who</b>	<b>Should not</b>
Maintains driver logs	Monitor fuel usage

### 1.3. Authority matrix

<b>MONTHLY/QUARTERLY FINANCIAL REPORTS and Data Entry into Quick Books</b>		
<b>TASK</b>	<b>1</b>	<b>2</b>
Data entry into Accounting System	X	
Reviews transactions and approves for the month		X
Prepares Budget Vs Actual (BVA) report	X	
Reviews Budget Vs Actual (BVA) report		X
Prepares adjusting journal entries	X	
Approves journal entries		X
Prepares Bank reconciliation	X	
Reviews and approves bank reconciliation		X
Prepares month end reports	X	
Reviews and approves month end reports		X

#### Key

1. Accounts Assistant
2. Executive Director

<b>PETTY CASH</b>				
<b>TASK</b>	<b>EMPLOYEE</b>			
	1	2	3	4
Custodian	X			
Request for Petty cash		X		
Approves Petty Cash form			X	
Makes surprise cash count				X
Records transactions in Petty Cash Book (Excel)	X			
Prepares the Petty Cash Count Certificate	X			
Verify cash count				X
Prepares replenishment voucher (Petty Cash Book form attached)	X			
Reviews replenishment voucher				X
Approves replenishment voucher				X

1. Accounts Assistant/ Cashier
2. Respective staff /employee requesting petty cash
3. Relevant Program Cordinators/Manager
4. Head of Finance

<b>PAYROLL</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>TASK</b>			
Collecting and reviewing timesheets	X		
Prepares the Payroll Summary Sheet	X		
Reviews timesheets and Payroll Summary Sheet		X	
Prepares payroll		X	
Reviews and approves payroll		X	X
Prepares payroll adjustments	X		
Approves payroll adjustments		X	
Prepares payroll EFTs		X	
Reviews and approves payroll EFTs		X	X

### **Key**

1. Admin and Finance
2. Head of Finance
3. Executive Director
4. Authorised Cheques Signatories

CASH/CHEQUE DISBURSEMENTS	1	2	3	4	5
TASK					
Receives invoices	X				
Prepares request for payment and supporting documents		X			
Reviews request for payment				X	
Approves request for payment				X	X
Prepares cheques		X			
Reviews cheques and documentation				X	
Signs cheques (required signatories)			X		X
Delivers or releases cheques to payees		X			
Cancels voucher and support documents (this mean stamping documents PAID )		X			
Records in Quick Books		X			
Maintains voucher file		X			
Prepares bank reconciliation		X			
Reviews and approves bank reconciliation				X	

## KEY

1. Logistics Officer
2. Accounts Assistant
3. Head of Finance
4. Program Manager
5. Authorised Cheques Signatories

<b>PAYROLL</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>TASK</b>			
Collecting and reviewing timesheets	X		
Prepares the Payroll Summary Sheet	X		
Reviews timesheets and Payroll Summary Sheet		X	
Prepares payroll		X	
Reviews and approves payroll		X	X
Prepares payroll adjustments	X		
Approves payroll adjustments		X	
Prepares payroll EFTs		X	
Reviews and approves payroll EFTs		X	X

#### **KEY**

1. Human Resource manager
2. Head of Finance
3. Executive Director

**Any deviation to above matrix shall be justified and shall have to be authorised by Executive Director.**

#### **1.4. Delegation of authority**

Control systems can only function effectively when all employees know who within the organisation has the responsibility and authority to initiate or approve expenditures or the use of other assets – with specific responsibility and authority levels matching the knowledge required in positions within the organisational structure.

- Scheme of delegation is authorised by the Executive Director, who must ensure it is filed, accessible, disseminated, and explained.
- Changes to the scheme of delegation must be approved by the Executive Director.
- All staff and volunteers must act within the limit of their delegated authority.
- Budget holders can only be delegated authority to approve expenditure on approved budgets.
- Temporary delegation of authority must clearly state the period of authority and scope of delegated authority.
- Schemes of delegation must be filed and kept according to document retention schedule and along with any temporary delegations be available to audit and management review.

#### **1.5. Onward delegation**

Unless specifically stated, a manager may delegate his or her authority but remains accountable for any decisions made. The person delegating the responsibility:

- must make the delegation in writing, and copy the Executive Director and finance team;
- remains accountable for all decisions made;
- must ensure that the person being delegated to has the appropriate skills and training;
- must identify a specific budget amount and codes and link it to specific objectives to be achieved. NOTE: only one person can be delegated as budget manager of any specific budget, to ensure the person can be held responsible; and
- must clarify the length of time that the authority is delegated for (eg where the authority is delegated temporarily during staff absence).

## **1.6. Distance authorisation**

As it may not be possible to evidence authorisation through an original written signature, the authoriser may give authorisation by email, (ONLY if the email address used by the authoriser is an official verifiable SWA email address or acceptable by the management to be SWA email.

## **10. Financial Management**

### **10.1. Responsibility for financial management**

To achieve its financial management responsibility; SWA shall implement a system that provides for the following:

- a) The ED is responsible for reporting the financial status of SWA to the Board and other donors including budgeting, financial records, application, interpretation and implementation of the financial policies and procedures manual, the internal control structure and the collection and handling of funds.
- b) Functionally, the ED delegates this responsibility to the Head of Finance who relies on a team of professional and support staff for the design, development and implementation of SWA financial policies and procedures.
- c) Accurate, current and complete disclosure for the project in accordance with reporting requirements of the financing agreement.
- d) Keeping records that identify the sources and application of funds for donor funded projects (s);
- e) Having effective control over and being accountable for all funds, property and other assets by adequately safeguard all such assets and ensuring that they are used solely for approved purposes; comparing actual outlays with budgeted amounts and determining the cause for variances and taking corrective action;
- f) Financial information shall relate to performance and unit cost data wherever appropriate;
- g) Procedure is established for determining the reasonableness, eligibility and allocation of costs, in accordance with the terms of the grant;
- h) Accounting records are supported by documentation that at a minimum will identify, segregate, accumulate and record all costs incurred under the project and which fully disclose (i) the amount and disposition by SWA of the proceeds of the grant, (ii) the total costs of the project, (iii) the amount of that portion of cost of the project supplied by other sources, and (iv) such other records as will facilitate an effective audit; a systematic method to ensure timely and appropriate resolution of audit /review findings and recommendations.

## **1.7. Principles of financial management**

To achieve proper financial management the following principles shall underlie and act as a guiding force in the evaluation of the systems and procedures of SWA : -

### **Responsibility**

As a registered organization with a separate legal entity the organization entrust all responsibilities with board of directors/trustees. The board of directors are collectively responsible of the organization resources and have the duty to ensure that they are utilized in accordance with constitution and contractual agreement entered in to with funding partners. The trustees/board of directors are ultimately responsible if the resources are miss-utilized or misappropriated.

### **Accountability**

The organization shall be accountable to all stakeholders such as donor's agencies, members, beneficiaries, governing body and the general public to ensure that resources are utilized effectively and efficiently for the purpose intended.

### **Integrity**

Integrity (honesty / trustworthiness) of the organization has to be beyond question for proper financial management. To achieve this there shall be no doubt about how funds are being utilized and records must be a true reflection of the reality.

## 11. Book Keeping

- ii) The financial accounting system shall be based on a double entry system of bookkeeping and shall be in accordance with the Generally Accepted Accounting Principles (GAAP).
- iii) The transactions shall be identified and classified by allocating account codes and budget codes as prescribed in the chart of accounts. Posting to the general ledger, from which receipts and expenditure statement shall be prepared, and shall be done through books of original entry.
- iv) Transactions shall be captured into the general ledger in a timely way so as to maintain balances that accurately reflect the financial position of the projects at any given time.

As a minimum, the following accounting records shall be maintained for each project:

a) CASH BOOK

A separate cashbook shall be maintained for each donor bank account as per accounting practices. The cashbook shall be maintained up to date.

b) PETTY CASH BOOK

Cash payments shall also be analyzed by budget-line. SWA shall maintain a petty cash to pay small items as long as it cannot exceed US\$ 500 per supplier where need be. All payments shall as much as possible be done through cash. The petty cash payments should be maintained in a manner which is easy to track the payments relating to each project. All petty cash payments should be posted into the system to respective project.

c) GENERAL LEDGER

The general ledger shall bear the details of the expenses per project. The GL shall contain the details of each transaction. All the expenses relating to particular project shall be referenced in a unique code for ease in identification from one project to the other. The budget lines for each expenses should bear unique code as well as sub-budget lines.

d) PAYROLL

Staff payroll shall be prepared at end of every month clearly stating gross pay and deductions.

**Para 4.** The asset register shall be maintained which should detail all the assets owned by SWA . The assets register shall bear at minimum the following details;

- ✓ Description of the asset;
- ✓ Date purchased;
- ✓ Tag number;
- ✓ Amount/cost of the asset;
- ✓ Net value of the asset
- ✓ Donor(Where applicable);

## **12. Control Of Accountable Documents**

### ***Objective***

This describes the controls and security of accountable documents.

### ***Responsibility***

The Head of Finance shall be responsible for keeping serially numbered accountable documents in safe custody to prevent misuse of the documents.

### ***Operating Guidelines***

Accountable documents shall include:

- Receipt books
- Payment vouchers
- Local purchase order books
- Petty cash vouchers
- Cheque books
- Delivery notes/Delivery reports
- Requisition Form/Local Purchase Orders
- Travel Advance Forms
- Invitation to Bid Template;
- The Goods Received Note;
- The Stock Issue Note;
- Request for Quotations;
- Bid Opening Form;
- Bid Evaluation Form; and
- Bid Evaluation Summary.

All other documents in SWA Letter heads/Logos.

### **13. Financial Statements**

**Para 1.** The financial statements shall be a tool used by the Management as a basis of reporting the state of affairs of SWA . The financial statements shall be available to third parties and partners upon requests which should be audited annually.

The accounts shall be audited by 31 March in the subsequent financial year.

#### **Policy**

The financial statements shall include statement of comprehensive income and expenditure, statement of financial position, statement of cash flows and notes to the financial statements.

All the grants and expenditure shall be reported comprehensively in the notes which should detail sources of funding (Donors/Partners) and the budget lines where they have been spent.

The Head of Finance shall be responsible for preparation of the financial statement and should be reviewed by the ED.

#### ***Operating guidelines***

- a) The Head of Finance shall prepare or cause to be prepared monthly FAS for each project by extracting the financial data from the system that shows: cumulative cash receipts from the donor for past periods and during the current month; cumulative expenditures for the donor for past periods and during the current month; and closing fund balance (balance carried forward).
  
- b) The Closing fund balance shall be reconciled to the cash and bank balances.

#### **Internal financial control**

Tracking of funds received from the donor and spent on their behalf should be tracked;

Oversight on the status of the FAS is done by the ED on monthly basis;

Reports to the donors are reconciled to the project bank account and should be prepared and reviewed internally.

## **14. Travel Expenses/Imprest**

### ***Objective***

This describes the policy and process for payment advances and reimbursement of travel expenses to members of staff.

### ***Policy***

**Para 1.** SWA shall publish per diems, mileage, meals, accommodation, and incidentals for various project locations while on official duty. The rate shall be reasonable and have been pre-approved and included in the project budget in most cases. No contravention of such rates shall be acceptable.

**Para 2.** In some instances, the rate could be pre-provided in the project budget, in that case there is no need for SWA to publish the rates.

### ***Responsibility***

The Head of Finance shall be responsible to ensure that approved per diem rates and reimbursement of travel expenses are adhered to in SWA operations.

### **Operational guidelines**

- a) The expenses allowable on official trips are: accommodation, meals official telephone calls occasioned by the trip, local travel, taxi, soft drinks and shakes, statutory charges e.g. airport tax, and one personal call per week not exceeding ten minutes while on official trip.
- b) Non-allowable expenses while on official trips are: personal telephone calls (except as stated above), alcohol, beverage/miraa, incurred on less than five days visit, and travel that is not budgeted.
- c) SWA officials on duty shall be paid the following Per Diems (and as published from time to time and approved by the ED) to cover the cost of accommodation, meals and incidentals.
- d) This shall be accounted for through receipts or certification statement immediately upon completion of the assignment.
- e) SWA shall pay full board for training and workshop at the rate of where such trainings/workshop is being held.
- f) Other travel expenses to be claimed upon presentation of receipts or certification statement shall be: official telephone calls, soft drinks, and local travel etc.

- g) External travels for workshops and seminars/trainings shall be paid if they are included in the budget.
- h) The staff travelling completes Advance Request Form /travel requests specifying the payee, date, purpose, budget/work plan and project to be charged. The form shall be approved by the project manager and approved by the accounting/finance officer before payment is made.
- i) After the advance is approved a payment voucher shall be raised by the traveler; approved by the accounting/finance officer and disbursed and acknowledged by the staff that is travelling.
- j) The amount so disbursed shall be treated as an advance/imprest, and posted to the respect staff account and only expensed when fully and properly accounted for. An imprest register shall be maintained where all advance/imprest paid shall be recorded by the Financial Accountant. A listing of all outstanding imprest shall be prepared at least monthly and all long outstanding imprest promptly followed up.
- k) All advances even those issued on a per diem basis shall be accounted for within 7 days of returning from the field. Staff shall only be issued additional advances when previously disbursed advance/imprest has been fully and properly accounted for. Any advance outstanding for over 14 days after the concerned staff returned from the field shall be recovered through payroll where the staff does not respond to reminders to clear the advances.
- l) The accounting shall be done through the Advance return /travel expense form which shall be supported with the relevant receipts, hotel bills and per diem/allowance computations.
- m) The advance return journal travel expense form completed by the staff shall be checked in the finance unit and approved by the ED and accounting/finance officer, to ensure that the costs reported is reasonable and eligible under the project.
- n) Any unspent advance amounts shall be refunded to SWA , which shall be banked intact and a receipt issued. Where amounts spent are in excesses of the advance/imprest issued, the additional amount shall be refunded to the staff in cash or cheque as appropriate.
- o) Project related travel shall be as per the detailed work plans and shall be clearly documented and authorized by the program officer.
- p) The outstanding imprest at the end of the month shall be a reconciling item in the fund accountability statement by the Financial accountant.

### ***Internal Controls/Benefits***

Limits for costs for per accommodation and meals are set and outstanding imprest amounts are monitored and if necessary recovered from the payroll.

#### **15. Inter-Project Borrowings**

**Para 1.** The mode of disbursement by donors/partners might be different from one to the other. On instances where the funding is on reimbursement basis, the Management shall have to identify source of funding.

**Para 2.** The main source of funding to the project that are on reimbursement mode shall be reserves. The Management can discuss with the donor for an instalment to ensure smooth implementation of project.

**Para 3.** It shall be the responsibility of ED to ensure approval of cash to be allocated to projects where funds will be disbursed on reimbursement basis.

**Para 4.** Where there is no cash available for a project, activities of the affected project will be funded from funds from other projects as long as it will not interfere with the implementation of the project.

**Para 5.** The Head of Finance shall assess availability of cash. S/he will plan for a meeting with Program Manager and Executive Director to identify the project to “lend” the cash.

**Para 6.** After identifying the “donor” project, the Program Manager shall requisition the funds . The requisition should indicate the amount, the project to be funded . The requisition should be supported by work plan.

**Para 7.** Program Manager will forward requisition to The requisition should be be required to assess and demonstrate there will be no liquidity challenge affecting the implementation of the projects.

**Para 8.** Once the funds are reimbursed by the donor, refund to the project shall be done.

**Para 9.** In the case of inter project exercise, prudence should be exercised as may be **disallowed by specific donors**. However, this policy should be observed accordingly to safeguard the interests of all the project.

## **16. Controls Over Motor Vehicles, Telephones, And Fax Photocopier And Internet Access And Electronic Mail**

### **16.1. Telephone, Faxes And Mails**

#### **(i) Objective**

This describes controls and procedures relating to the usage of the telephone, fax and mailing services.

#### **(ii) Policy**

**Para 1.** Telephone calls on telephone lines under the control of the project shall be monitored either by installing switchboards at each location with a monitoring (PABX system), to track calls made and time taken or by using a register to record all calls.

**Para 2.** SWA shall subscribe to a fixed line telephone operator that has both national and international networks. Applications for the purchase of mobile phone shall be approved by the ED or his/her designee.

**Para 3.** In case of loss of handset, a replacement shall be applied for within the normal process. However, where negligence on the part of staff is proven, such staff member will be required to replace the lost handset within three months at the market price. In all cases, loss of handsets shall be reported to the ED within 24 hours or other reasonable time, which will facilitate the blocking of the SIM card with the relevant service provider.

**Para 4.** SWA shall only bear the cost of official calls (both landlines and cellular), while costs for personal calls will be charged to staff. Staff must identify and declare such personal calls from the monthly printouts circulated to them.

#### **(iii) Responsibility**

The Head of Finance shall be responsible for ensuring that proper telephone/fax/mail records are maintained at all times, and that staff in charge of extensions, or those holding cell phones, receive their call records in time, and that staff recoveries are communicated to finance within the stipulated time.

#### **(iv) Operating guidelines**

- a) For each call made through the switchboard (both landline and cellular), detailed reports for the number called, the extension from where the call was made, date and time of the call, time taken and related cost shall be printed/recorded at the end of each month.

- b) The reports shall be circulated to staff members in charge of those extensions (or virtual extension number holders, where applicable) by the 5th of each month. Staffs are required to advise as to which calls are official and are which personal. Vote holders will approve declarations for all official calls made. All personal calls, as advised, shall be charged to the personal account of the staff member.
- c) Failure to advice on call status (official or otherwise) by the concerned staff, within 7 days of receiving the telephone printout, will result into an automatic payroll recovery of the entire extension bill from such staff.
- d) For users not privileged to make direct calls from extensions, a duly approved “Request for call” form (approved by vote holder for official calls, while requests for personal calls shall be signed for by the caller) shall be completed and submitted to the switchboard for action. This shall be entered into the calls register, filed and will form the basis for re-charging the staff member for such calls.
- e) The billing to staff shall be at cost as charged by the service providers.
- f) The procedures on mobile phone shall be the same as for calls through the switchboard.
- g) Where personal versus official calls have been indicated by the concerned staff members and approved by the respective vote holders, the Management Accountant shall prepare a monthly telephone summary report which shall be submitted to Accountant by the 20th following month end for appropriate payroll processing.
- h) Faxing/mail shall be centralized at the reception. A fax/mail register containing fax/mail details on the date, fax/mail number, country, person sending the fax, the organization where the fax is going and its nature (official or personal) etc. shall be maintained at this location. All fax transmissions shall be serially numbered and entered into the fax register while the actual transmission slips are submitted to the person sending or receiving the fax to evidence successful transmission.
- i) Faxes-mails shall be sent on the strength of a fax/mail form, approved by the vote holder for official faxes-mails, or signed by the individual staff member as evidence of acceptance to pay for private faxes-mails.
- j) At the end of the month, the Head of Finance shall cause to be prepared a summary of all faxes-mails made in the month, clearly indicating private ones for which recoveries shall be made from staff. This summary shall be submitted to the Accountant for review and processing into the financial systems as appropriate.

## **16.2. Photocopying**

- a) All copies taken must be recorded in the photocopier logbook. Where such facilities are available, each staff authorized to use the photocopier shall be given a password and a use code to the photocopier.
  
- b) Photocopying of personal huge documents / books is prohibited. However, photocopying of more than ten pages for personal use shall be captured in the photocopy register and billed to the concern staff for recovery from the payroll.

## **17. Internet Access And Electronic Mails**

- a) The organization shall appoint an Internet service provider according to the established contract services policies and procedures;
- b) The provider shall provide a monthly statement of usage showing at the dates, time, and duration of the usage and the respective rates of charge. Internet access log shall be maintained to track the user and the duration;
- c) Accessing the Internet during the working hours for personal purposes shall be prohibited. Access to the Internet shall be controlled by means of password.

### ***Internal financial controls***

- Head of Finance shall approve the summary report.
- All purchase of handsets will be within the set limit and shall be approved by the ED or his designee.
- Vote holders will approve the telephone declaration by staff under them for all official calls.
- Finance department will, without alteration, process the summary report into the accounting system.
- On a monthly basis, finance shall compare the details in the fax/mail summary to the duly approved fax/mail forms for correctness and completeness. He/she shall initial the summary as evidence of that review.
- Personal faxes-mails shall be charged to staff personal accounts and recovered through payroll.

## **18. Indirect Administration Costs**

### **1.8. *Objective***

This describes the policy and process for charging of indirect costs, also referred to as common or joint costs which cannot be directly and readily identified with a distinct activity for particular project. These may include office rent, telephone and communication, other office running costs, personnel costs etc. for say main SWA office, that are incurred centrally for the benefit of several projects.

### **1.9. *Policy***

Common costs shall be expressed as a percentage of direct costs in approved donor budgets. The rate shall be reasonable and shall reflect the degree the project is expected to benefit from SWA 's common costs. SWA shall charge atleast 7% of the approved project budget.

For donors which would not accept administration costs charges, cost related to implementing the project.

All the supporting documents relating to indirect costs charged to the project shall be approved by the program manager and/or the ED which should be maintained in line with donor requirements.

### **1.10. *Responsibility***

The Head of Finance shall do common costs analysis and allocate the costs to beneficiary projects, based on a logic that demonstrates proportionate benefits received from the common pool.

### **Formulae in obtaining the Indirect cost rate**

**Indirect cost rate calculation =** **Indirect costs**

**-----**  
**Direct cost base**

### **1.11. *Operational guidelines***

- b) The Head of Finance shall budget for core activities on an annual basis, covering 1st January to 31 December. Accumulation of data for the core activities budget shall commence in March and must be finalized by 30th September for the following year's budget.
  
- c) The foreseen SWA projects for a given year shall determine the core budget. The ED in liaison with the Head of Finance shall prepare the annual core-fund budget, using foreseen overall fixed overheads, project activities that require common support.

- d) The core activities budgets shall be amended whenever a project that was taken into account initially is approved in the course of the budgetary period. All budget amendments and transfers must be discussed and approved by the ED and at the management meetings.
- e) The Head of Finance shall ensure that all possible expenditures are included in the core budgets. Chart of account is useful guide on expenses (general) to be considered in drawing the expenditure budget.
- f) Upon the management team approval of the budget figures, the core cost must be entered in to the computer system to facilitate periodic reporting and analysis of variances.

***Internal financial control/Benefits***

A system for accumulating and allocating common costs that is largely acceptable by the donors is in place and documented for inclusion in budgets attached to the proposals sent to donors.

## **19. Project Financing**

### **19.1. Objective**

To describe the fund raising mechanisms, controls over such funds and donor accountability as adopted by SWA .

### **19.2. Policy**

The ED or his designee shall sign all donor agreements committing SWA . Day to day responsibility: The board has vested Authority of the day-to- day running of the organization with the ED who may in turn delegates to other SWA staff.

### **19.3. Responsibility**

Once agreements have been entered into between SWA and a donor, it shall be the responsibility of the ED to ensure that funds extended to SWA have been applied and reported per the terms of the funding agreement.

### **19.4. Operating guidelines**

- a) Proposals shall originate from program officers or head of units of SWA or any other program in line with the SWA mandate.
- b) The proposals shall provide details of coverage, time lines, resources required, expected results and any other issues pertinent to the project object. There shall be liaison with the Head of Finance who shall assist in the development of the detailed proposal budget.
- c) Completed proposals shall be internally reviewed and evidenced by all concerned program and operational units as well as the Finance department through the signing off the “Proposal Routing Sheet” before eventually being approved by the ED for subsequent submission to the target donor.
- d) Proposals accepted by the donor/sponsor require SWA to sign an implementation agreement with that donor/sponsor before funds are released.
- e) All signed donor agreements shall be submitted to the Head of Finance who shall issue them with a “Project Number” number. This Project Number will be communicated to the vote holder for budgetary management. All expenditures out of the Project Number vote shall be supported by a valid requisition authorized by the vote holder and approved by the Project Accountant.
- f) On a monthly basis, the Project Management Committee shall review the status and requirements of each project, reporting their findings and action to the ED, who in turn will report to the following Board meeting.
- g) Per the terms of agreement, progressive reports shall be sent by the Head of Finance to the donor on a timely basis and in the agreed donor formats.
- h) At the end of every year, a “Grants schedule” for statutory reporting purposes shall be prepared for the review and approval by the ED.

#### **19.5. Internal financial control/Benefits**

Head of Finance will ensure that project spending is within the approved agreement, both in terms of overall budget and individual budget codes.

The Proposal Routing Sheet is designed to cater for adequate proposal review before approval.

## **20. Sub-Grantees**

These are guidelines that shall govern occasions where SWA shall manage projects as a principle recipient in any project(s)

### **20.1. Objective**

The year-end Grants schedule shall be reviewed and approved by the ED

### **20.2. Policy**

Upon the review of sub-grantee capacity appraisal reports, the Board shall approve grants to sub-grantees.

### **20.3. Responsibility**

It shall be the responsibility of the ED to ensure that all grants to SWA partners are well managed.

### **20.4. Operating guidelines**

- a) At the end of every year, a “Grants schedule” for statutory reporting purposes shall be prepared for the review and approval by the ED.
- b) Grants by SWA to sub-grantees and other partners shall only be issued after a capacity appraisal has been conducted to establish the suitability of the partnership and such partnership approved by the Board.
- c) Organizations lacking the capacity to implement the program or to manage the funds shall only qualify for grants after addressing such capacity gaps. Once a partnership has been approved, grants will be made per the agreement entered with the partner.
- d) Standards of financial management and reporting by recipients of SWA grants shall, as a minimum, meet the requirements of the donor who will have funded SWA for the subject grant with adequate documentation to support such reports.
- e) Reporting requirements shall be agreed between the granting unit/department and the recipient organization prior to entering into an agreement. The reporting requirements agreed shall be incorporated into the funding agreement.

#### ***Internal financial control***

- The Executive Director shall approve all such grants to sub-grantees in line with the assessment report indicating the capacity status of the sub grantee.
- A grant agreement shall be signed for each grant.
- A satisfactory Capacity assessment report shall be a basis of the granting process. The assessment checklist shall be put in place by the technical team.
- Reporting requirements suitable to SWA circumstances shall be part of the grant agreement.

## **21. Month-End Reports**

### **21.1. Objective**

To describe the nature and type of financial reports and financial information produced at month end.

### **21.2. Policy**

Month-end management reports shall be submitted to the Finance & Admin Manager and the vote holders by the timelines indicated in the agreements for subgrantees.

### **21.3. Responsibility**

It shall be the responsibility of the Head of Finance to ensure that month-end management reports are accurate, complete and timely and that they are distributed to the respective end users.

### **21.4. Operating guidelines**

- a) Upon posting all period transactions including the core-cost centre monthly returns, monthly management accounts shall be prepared and distributed to end-users. The following reports shall be generated / prepared at each month end:
  - Fund Accountability Reports (FAS)
  - Donor reports in the prescribed formats
  - Bank reconciliations
  - Narrative reports in their prescribed format within the set timeframes
- b) Monitor expenses to ensure that approved budgets are not exceeded by: ensuring commitments are made only if there is a positive unspent project balance; investigation unexpected budget variances and resolving queries raised by the donors and other stakeholders.
- c) Maintaining accurate and reliable accounting records that forms the basis of preparing all internal and external financial reports.
- d) Liaising and coordinating with the donor to ensure proper follow-up on any queries that arise within the narrative/financial reports.
- e) Certifying and guaranteeing the accuracy of the information contained in all project reports.

### ***Internal financial control/Benefits***

Internal management reports will be generated and used to manage the operations efficiently and effectively.

#### **21.5. Managing Sub Implementing Partner**

- a) In some instances SWA may work with other partners as a partnership model where SWA has engaged another partner as sub implementing partner /Sub recipient.
- b) SWA must undertake an assessment on the capacity of the partner to ascertain the capacity of the key areas.
  - i. Governance and organization administration
  - ii. Programme Management, Monitoring, Evaluation and reporting
  - iii. Organizational structure and staffing
  - iv. Accounting policies and procedures
  - v. Fixed Assets and Inventory management
  - vi. Procurement systems
- c) The procedure can be done before the engagement with the partner to establish the level of capacity and risk. However, in some situation it may be exceptional under the following circumstances;
  - i. The funding agency has approved working with partner prior to the assessment
  - ii. The potential sub recipient is has current and previous history with the funding institution
  - iii. Mandatory partnership such as government institutions
  - iv. Previous implementing partner with SWA.

#### **21.6. Sub Recipient Reporting**

The partner reporting shall be in the manner specified in the sub agreement. Any request and reporting shall be in line with itemized cost budget. All supporting documents must be verified on liquidation and approved by the designated persons.

#### **21.7. Sub Recipient Monitoring**

SWA shall ensure monitoring activities are done through assurance mechanism including

- Spot checks
- Project monitoring visits
- Audits

**a) Spot checks**

Scope shall entail performing the following procedures;

- o Verify that documentation exists to support the expenditure in accordance with the sub recipient rules and procedures and agreements.
- o Verify that the activity related to the expenditure is in accordance with the work plan.
- o Verify that the expenditure has been reviewed and approved in accordance with the sub recipient rules and procedures and agreements
- o Verify that the expenditure was reflected on the budget and the liquidation report.
- o Verify that the expenditure was reflected in the accounting records and bank statement.

- Verify that supporting documents are stamped 'PAID' and where possible the donor and project code.
- Verify the price paid for goods or services against market rates/ standard rates (if readily available).

**b) Project monitoring visits**

Monitoring visit shall be done periodically according to the plan prepared by the Program team.

The Project monitoring team shall prepare verification checklist in the and specifically address several areas . The checklist must include the minimum details in Annex III.

**c) Audit for subrecipient**

The audits shall be done within a specified terms of reference and guidelines from the donor. Specific audits may be done in line with the following standards;

- In accordance with International Auditing Standards (ISA) 800 Special Considerations - Audit of Financial Statements Prepared in Accordance with Special Purpose Frameworks;
- ISRS 4400, Agreed Upon Procedures.

The TOR shall spell the specific procedures in detail.

## **22. Inter-Offices Reporting**

**Para 1.** Other offices maybe involved in implementation of the projects through allocation of activities or by the fact the regional offices are near the implementation areas.

**Para2.** The regional offices through the Focal Point of the project shall submit monthly reports of the programs for review in the Head Office by 5<sup>th</sup> of each month.

**Para 3.** The Program Manager shall be responsible to ensure the reports are received on time.

The reports shall comprise of the program report and financial report.

### **Inter-office Coordination**

Where the activities may be held near regional locations, the Program Manager shall ensure the field team are informed on the activities.

The field office coordinators /Focal Point shall share the activities and reports promptly on completion. The head office will be responsible to make payments.

## **23. External Reporting**

### **23.1. Objective**

This describes the reports and procedures for reporting to donors and other external users, the progress and status of implementation of the project and to provide complete and adequate justification for reported project expenditure.

### **23.2. Policy**

Internal reports (management accounts) shall be monthly, quarterly, annual, project-to-date and end-of-project showing budget and expenditure. Supporting schedules and documentation to substantiate each charge made to the grant shall be provided.

### **23.3. Responsibility**

It shall be the responsibility of the Head of Finance to ensure that reports to donors are accurate, complete and timely and that they reach the donors as planned.

### **23.4. Operating Guidelines**

The reports shall include the following:

- a) A written request for the funds (tranche as in the financial agreement) stating the intended use of the additional funds in terms of activities to be carried out;
- b) The Fund Accountability statement (FAS) summarizing income expenditure and the fund balance related to the funded project. This should be supported by detailed schedules analyzing the transactions by transaction makeup of the balances reported

in the fund accountability statement, including the items making up the fund balance items each outstanding advance deposits and imprests, creditor and accrual balances etc. The declaration should be signed by the project manager;

- c) Support documentation to substantiate expenditures reported in the fund accountability statement. Examples of documentation that should be provided to substantiate various types of expenditure are summarized in appendixes.
- d) Bank reconciliation statements ( APPENDIX I j) for the period covered by the project financial report;
- e) Bank statements for the period covered by the project financial report;
- f) The project technical report prepared in the prescribed format; and
- g) Updated list of fixed assets purchased by the organization using donor resources.
- h) All the document/reports submitted should be approved and evidence for such approval shall be made by the project manager and accounting/finance officer.
- i) All queries raised by the donor on the reports shall be officially responded to within two weeks from the dates of receipts.
- j) The Head of Finance shall ensure SWA keeps at all times records of the expenditure incurred on the financed projects and shall make available all financial records, for inspection by the staff of the funding partners, stakeholders and external auditors
- k) The required reports should be submitted to the donor as agreed in the financing agreement.

**23.5. Internal management reports will include:**

- Analysis of receipts and expenditure by sub project/activities
- Analysis of expenditure by budget line (periodic and cumulative)
- Comparison of actual with budgeted expenditure and explanations for variances
- Project Fund Accountability statement
- Analysis of fund balance items (cash and bank balances, outstanding advances, payment obligations, etc)
- Attachments: bank reconciliations, petty cash reconciliations, fixed assets purchased during the period, fixed assets register (for annual report)

**23.6. Reporting calendar**

SWA shall have internal reporting calendar, however, this shall not override the conditions established in Grant agreements with the donor.

Report	Timing
Financial report	Monthly
Financial report and documentation to substantiate charges	<ul style="list-style-type: none"><li>• Quarterly</li><li>• When need additional disbursement is required</li><li>• As required by the financing agreement or recommended by the donor.</li></ul>
Queries and questioned costs	<ul style="list-style-type: none"><li>• Responded to within 2 weeks</li></ul>
Project closure/final report (financial and technical)	Within 30 days from end of project or as stipulated in the financing agreement.

**23.7. Internal financial control/Benefits**

The porting requirements by donors will be met both in quality and timeliness of reports.

Internal management reports will be generated and used to manage the operations efficiently and effectively.

## **24. Audits**

### **24.1. Objective**

This describes SWA policy and guidelines for preparation of internal and external audits.

### **24.2. Policy**

SWA's Board shall cause to be prepared audited financial statements for each financial year that give a true and fair view of the state of affairs of SWA as at the end of the financial year (1<sup>st</sup> January to 31 December), and of its operating results of that year.

### **24.3. Responsibility**

The preparation and presentation of financial statements shall be the responsibility of SWA ED/Board.

The auditor shall be responsible for expressing an independent opinion on the statements based on their audit, i.e. whether they show a true and fair view of the state of affairs of SWA as at that particular date.

### **24.4. Operating guidelines**

External audit procedures will be as follows:

- a) Annual statutory audits shall be performed by a qualified independent external public auditor with extensive experience in donor related audits;  
Upon appointment by the Board, the auditor shall sign a "Letter of Engagement" acknowledging appointment and the scope of work and terms of the engagement.
- b) The Directors shall write a "Letter of Representation" to the auditor at the end of the audit declaring that all necessary information was presented to them for audit purposes.
- c) The auditor shall produce a draft audit report and present it to the Head of Finance who shall respond to the issues raised, in consultation with the ED, before a final report is produced.
- d) The auditor shall submit audited financial statements to the Board through the ED for approval by 31st March of the year following the year of audit.
- e) SWA ED shall ensure that audit observations and recommendations are implemented, or otherwise disposed of before the next audit.

## **25. Internal Audit**

The Internal audit SWA shall evaluate the benefits of having established office of Internal Auditor. SWA shall outsource service for internal audits if established internal audit office is not in place.

unit shall carry out the following functions:

- a) Confirm that established policies, procedures and plans are followed.
- b) Identify areas where operating efficiency and cost saving programs may be implemented.

- c) Perform reviews to ensure that an effective system of internal control to safeguard SWA assets exists.
- d) Examine information systems to ensure that management at all levels is aware of significant financial and operational matters.
- e) Perform special audits and investigations as requested by the management.
- f) Perform reviews to ensure organization's compliance with government laws and regulations as well as compliance with donor agreements.
- g) Review SWA work practices to ensure harmony and goal congruence within the organization.
- h) Co-ordinate the internal audit work with external auditors in order to maximize results.
- i) For each half year completed, provide quarterly reports to the Chair, Audit committee.
- j) Final internal audit reports shall be issued to the Chair, Audit Committee and the ED upon completion of each audit. Final audit reports must meet the following standards:
  - They must be direct, concise and well organized
  - They must be factually correct
  - Interviews with all involved, and particularly the Finance & Admin Manager, will be held and their comments incorporated in the reports
  - Reports will include practical recommendations, taking into account attendant costs and benefits.
  - An audit file will be maintained for each completed audit
- k) Action on Internal Audit Reports
  - The vote holder to whom an audit report is addressed must officially and in writing respond to the Internal Auditor within 21 days of receiving the report.
  - Where the vote holder agrees with the recommendations of the report, they shall set out a timetable for the implementation of the suggested recommendations
  - At the end of the agreed period, a review to ascertain that recommendations have been implemented shall be conducted by the Internal Auditor and a report of the review prepared.
  - Where the vote holder disagrees with the report, a meeting shall be held between the vote holder and his/her immediate supervisor to discuss the reasons for the disagreement and to determine an appropriate course of action.
- l) General audit planning and supervision
  - The Internal auditor operates under the administrative supervision of the ED with direct and primary responsibility to the Audit Committee.
  - Semi-annual audit plans shall be prepared for approval by the ED and the Chair, Audit Committee before commencement of audits. Upon such approval, the overall supervision of the audit unit will be by the ED.

- The contact persons (vote holders) for each audit shall be informed two weeks in advance of the planned audits affecting their areas, providing them with adequate time within which to prepare.

***Internal financial control/Benefits***

Over-sight function and independent checks on the project objectives are in place.

Assets are safeguarded and accountability to donors, beneficiaries and the public is enhanced.

Account System Plan

## Appendix I : Authorization Matrix

Process Document	Process Owner	Functions
<b>Purchase Request</b>	Project Officer	Prepared by
	Admin/Finance assistant	Approved
	Procurement Officer	Authorized
<b>Request For Quotations</b>	Procurement Officer	Prepared by
	Program Manager	Authorize
<b>Local Purchase Order (LPO)/Local Service Order</b>	Logistics	Prepared by
	Program Manager	Authorize
<b>GRN</b>	Project officer	Acknowledged by
	Logistic Officer	Countersigned by
	Vendor	Delivered by
<b>Payment Voucher</b>	Finance officer	Prepared
	AIE Holder	Release payment
	Finance Manager	Approved
	Executive Director	Authorized
<b>Bank Reconciliation</b>	Finance officer	Prepared
	Admin & Finance Assistant	Approved

## **Appendix IV: SWA Payments Procedures: Support Documents Tracker**

**Note 1: Support Documents required to initiate a Payment Voucher;**

### **Goods and services**

#### **Goods: The following is mandatory**

- i) Supplier Invoice
- ii) SWA Local Purchase Order/Purchase Requisition
- iii) Quotation analysis (If above US\$ 1,000)
- iv) Procurement Committee report
- v) Goods received note (Goods)

#### **For CSO fuel motor vehicles-Fuel**

- i) Vehicle log sheets – All costs related to supervisions

### **Training Activities**

- i) Training Report
- ii) Participants list
- iii) Work-plan indicating the specific date of training

#### **For Services-Constructs**

- i) Completion certificates
- ii) Inspection reports
- iii) Gant Chart /Work-plan
- iv) Contract

#### **Consultancies**

- i) Terms of Reference
- ii) Deliverables
- iii) Contract

**Note 2: Support Documents required to initiate a Payment voucher and payment**

- i) Approved invoice
- ii) GRN
- iii) Other support documents.

## Appendix V: Activity Schedule

Section	Activity	Frequency	Responsibility
<b>Purchase /Payment</b>	Local Purchase order	Daily	Refer Annex I of Manual
	Initialisation of Payment	Daily	Refer Annex II of Manual
<b>Bank</b>	Bank reconciliation	Monthly	Accounts Assistant, Head of Finance, Program Manager
	Petty Cash reconciliation	Monthly	Accounts Assistant, Admin and Finance , Head of Finance
	Surprise Cash Counts	Twice a month *	Head of Finance
	Petty cash requisitions	On replenishments	Petty cashier, Head of Finance
	Petty cash reimbursements report	Every requisition	Petty cashier, Head of Finance
<b>Financial Reports</b>	Quarterly Financial Reports	Quarterly/ Donor requirement	Head of Finance, Program Manager, Executive Director
	Expenditure Variance Reports	Quarterly	Head of Finance, Program Manager, Executive Director
	Financial statements	Annually	Head of Finance, Program Manager, Executive Director
<b>Narrative Reports</b>	Quarterly /As scheduled by donor	Quarterly/ Donor requirement and Annually	Project Officer, Program Manager, Executive Director
<b>Fixed assets</b>	Fixed assets verification	Half Yearly-June and December	Logistics Officer, Head of Finance and Executive Director
<b>Supplies/Inventory</b>	Supplies verification	Half Yearly-June and December	Logistics Officer, Program Manager and Executive Director