Reference Notes on Financial Management for Civil Society Organisations in South Sudan

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Developed by

Strategic Connections
Unlocking Potential

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1.0 BACKGROUND AND INTRODUCTION

1.1 Background

This training module is designed for CSOs training in financial management focusing on basic and correct procedures for recording financial transactions and preparing financial reports. In addition to demonstrating the steps, this module is designed to help CBO management and staff understand core financial management principles, good practices in managing resources of a CSO or a not-for-profit organization. This understanding will also help management and staff make on the spot decisions about how to maintain good practices in situations not anticipated in the training.

This module focuses on the fundamentals of financial management in the context of projects in development sectors. It will give you, the project team member, a firm foundation for managing the finances of your projects.

There are many benefits of having high standards in financial management for CSOs. These include:

1. Enables effective and efficient use of resources to achieve goals and fulfill CSO obligations
2. Promotes accountability to funders and other stakeholders
3. Encourages the respect and confidence of funding agencies, partners, and beneficiaries
4. Provides an advantage in the competition for increasingly scarce resources
5. Prepares the ground for longer-term financial sustainability

1.2 Definition and Importance of Financial Management

Definition: Financial Management is a vital activity in any organization. It is the process of planning, organizing, controlling and monitoring financial resources with a view to achieve organizational goals and objectives. It is an ideal practice for controlling the financial activities of an organization such as procurement of funds, utilization of funds, accounting, payments, risk assessment and every other aspect of resource management.

Importance of Financial Management

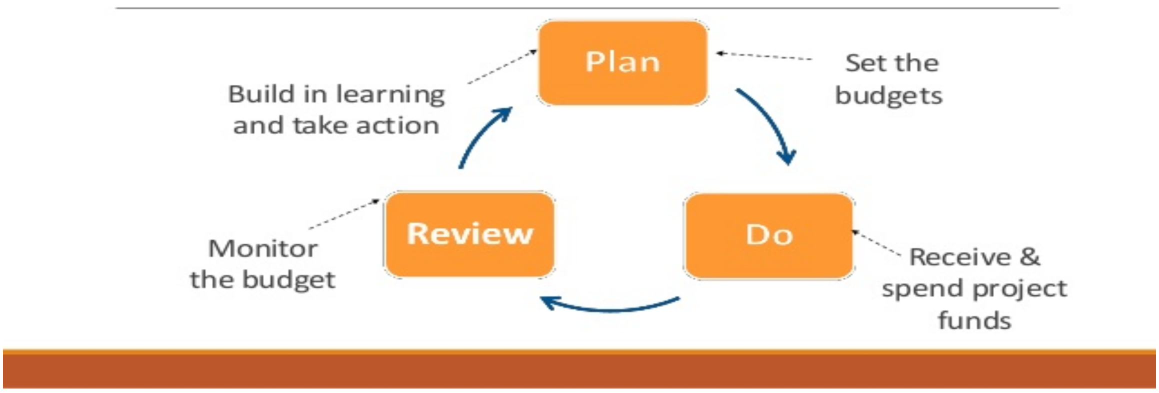
1. Being accountable to the donors: Most NGOs rely completely on funding and therefore having proper accounting systems in place becomes all the more important. As an NGO you need to be accountable to the donor agencies and individuals who support your cause. With proper systems in place you can keep track of your expenditures and submit timely reports to them. This would lead to enhanced trust between you and the donor, thereby increasing the chances of your NGO getting a continuous support from them.
2. Securing future: The present financial condition of any organization determines its future. In a similar manner, NGOs should also opt for sustainable use of finance. This simply means that NGOs should spend in their present ventures, keeping in mind the future. After all, it is quite important to have future plans and become well secured as well as future-ready.
3. Eliminating fraud and theft: Malpractices and illegal deeds such as overuse of resources, fraud and theft have become prevalent among NGOs. Firm checks are mandatory, for preventing abuse of resources. With complete financial planning, coordination and control, these issues can be easily addressed.
4. Making timely and productive decisions: With sound financial management, NGOs can make more productive decisions concerning resource allocation, fund raising, fund

mobilizing and other undertakings. Good decision-making skill enables right amount of funds to be invested at the right place. Funds are therefore efficiently and optimally utilized.
5. Achieving objectives: Every NGO is guided by policies and procedures, which are related to its overall objectives. Each decision that is undertaken by the authority is driven towards successful achievement of its set goals and objectives. Without organizing finance, it will be difficult for the organization and its employees to reach its aim and fulfill purpose of its existence.
6. Enhancing credibility: Managing finance is a matter of skills and tactics that ideally changes from time to time. With excellent finance management, NGOs enhance their image that enhances its value and making them more credible. By framing well defined financial plans and policies NGOs also earn good reputation within its community. They can also improve their current position and look forward to gain trust, faith and reliability.
7. Strengthening fundraising efforts: Most of the NGOs solely survive on its funds. Well organized financial resources help in strengthening fundraising efforts by giving an overall idea about available finance and the amount of finance that needs to be accumulated. Thus, employees get a fair idea regarding the expected amount and plan their fundraising ventures accordingly.

1.3 The Plan – Do – Review Financial Planning Model

As project teams implement the financial process, all activities should be completed with the aim of continuous improvement of the project, its processes, practices, and activities. The Plan-Do-Review model is a learning cycle that allows the organisation to learn from experience.

Figure 1 – Plan-Do-Review



The cycle moves through three phases (Plan–Do–Review) and repeats itself when the last phase is complete. When this model is applied to the context of the financial management process, it includes the following activities.

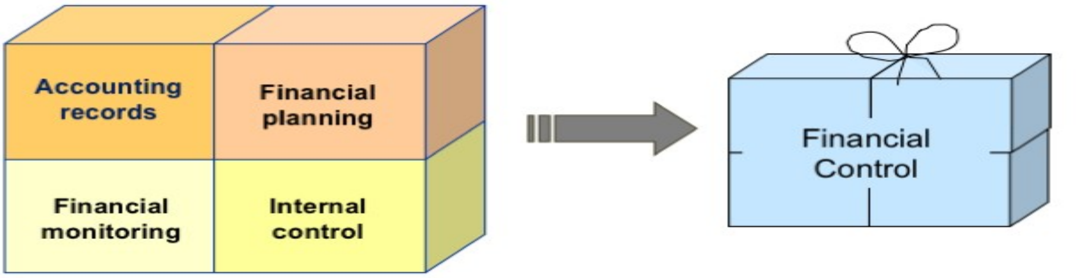
1. **Plan**: When the organisation sets up a project, they have to establish clear objectives and activities. They also need to prepare a series of budgets to estimate the costs of running these activities and to develop proposals to raise the funds.
2. **Do**: Having obtained funding, project activities are implemented according to the project plan. This is when we start to spend money and account for the financial transactions that take place.

3. **Review**: Continuous monitoring of the project is key by comparing what was planned and what was actually done, and by comparing the projected budget with actual income and expenditure. The project manager will use this information to decide if actions are needed to keep the project on track. The learning from this review stage is then taken forward to the next planning phase and repeated, in a continuous process of ongoing learning and adaptation.

1.4 Foundations of Strong Financial Management

The basis of effective financial management is a strong financial system. An organization's financial system is the central pillar for the planning, organizing, monitoring, and controlling of financial resources. There is no model finance system that suits all organisations. However, there are four basic building blocks which must be in place to ensure good practice in financial management.

Figure 2: The four building blocks of financial management



Accounting records: It is imperative that each organization keeps an accurate and complete record of all financial transactions that take place during the financial year, so they can show how funds have been used. Accounting records include both the physical paperwork (such as receipts and invoices) and the books of account where the transactions are recorded and summarized.

Financial planning: Budgets are the cornerstone of any financial management system and play an important role in monitoring the use of funds. Budgets are linked to the organization's strategic and operational plans. The financial planning process includes building longer-term plans, such as a financing strategy, and shorter-term budgets and cash flow forecasts for projects and programs.

Financial monitoring: The production of financial report for use by different stakeholders is only possible when an organization has kept accurate and timely accounting records and has set its budgets. For example, budget monitoring reports help managers to monitor the progress of their projects, and annual financial statements provide accountability to external stakeholders.

Internal control: This represents a system of common controls, checks, and balances designed to manage internal risk and safeguard an organization's money, equipment, and other financial resources. Internal controls main role is to minimize losses, such as through theft, fraud or incompetence; and to detect errors and omissions in the accounting records. An effective internal control system also protects staff, an organization's most important asset.

These are discussed further in the following sections.

2.0 FINANCIAL PLANNING & BUDGETING

2.1 Financial Planning Process

Financial planning lies at the heart of effective financial management in helping organizations achieve both their longer-term strategic goals and shorter-term projected objectives. The two fundamental aspects to financial planning for successful programs are:

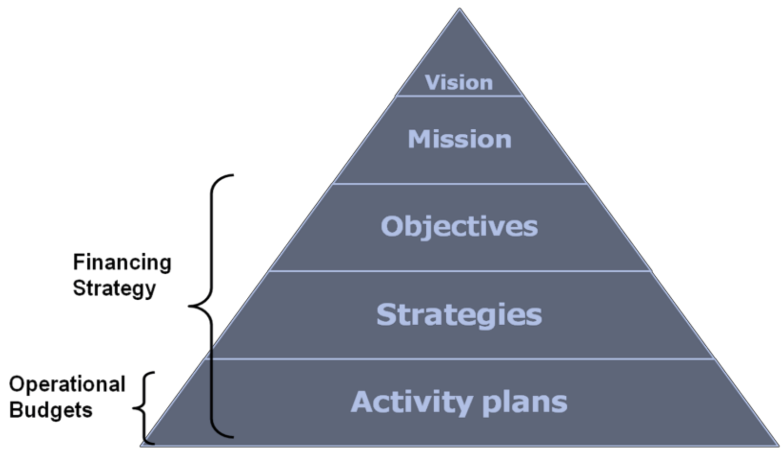
1. **Strategic planning**: a long-term view to ensure the financial continuity and security of all operations. Its goal is to achieve an organization's mission and objectives now and in the future. This is a key concern of senior managers and board (trustees) and is captured in a financing strategy and associated policies.

2. **Operational planning**: a short-term view aimed at effective program implementation. This includes preparing program budgets and forecasts (based on specific and measurable activity plans) and is the focus for this section.

The first step of financial planning is having a clear plan and budget about what you want to do, how you intend to do it and what results to achieve. Effective budgets can only be produced if there are good plans to base them on.

The planning pyramid
Development organisations exist to achieve certain objectives. The strategic plan lays down lays down how the objectives are going to be achieved. The strategic planning document has several component parts starting with an outline of long term goals – either or both a Vision and Mission – and going into greater and greater detail about how the mission is to be achieved.

Figure 4: The planning pyramid



As the level of detail increases, the timeframe becomes shorter and participation of staff members in the planning process should increase.

Once plans are set, the organisation draws up its budgets and cashflow forecast to help implement the plans. During the year financial reports are produced to compare the budget with actual performance.

2.2 Budgeting in Civil Societies

What is a budget?
A budget is a document that translates plans into money – money that will need to be spent to get your planned activities done (expenditure) and money that will need to be generated to cover the costs of getting the work done (income). It is an estimate, or informed guess, about what you will need in monetary terms to do your work.

Budgets have the following advantages:
1. The budget tells you how much money you need to carry out your activities.
2. Donors use the budget as a basis for deciding whether planned resources are reasonable and well-planned hence a critical part of negotiation and approval. The budget sets out in detail what the organisation will do with the grant, including what the money will be spent on, and what results will be achieved.
3. The budget ensures rigorous thinking and reflection on the implication of an activity while planning. The realities of the budgeting process can direct a rethink of intended action plans.
4. It enables monitoring of income and expenditure and identify any early problems for corrective action.
5. The budget is a basis for financial accountability and transparency.

Different budgeting techniques
The two main techniques for budgeting are **incremental budgeting** and **zero-based budgeting.**
a) **Incremental budgets** are budgets based on actual performance in the previous year, with a percentage change for various factors such as inflationary effects, changes in design, new projects etc.
b) **Zero based budgets** do not base on previous performance, but the budgeting process starts from a nil base with the proposed activities for the year being costed from current factors and prices. The result is a more detailed and accurate budget making it the most suitable for project budgets, especially in the activity-based budget format.

The Budgeting Process
The process of preparing a meaningful and useful budget is best undertaken as an organized and structured group exercise that includes all staff of the CSO. The Finance/Accounting department serves as the coordinators for the final production of the budget. In a CSO there are two types of budgets to be prepared i.e. the annual institutional budget and the grant application / proposal budgets.

Annual Institutional Budgets
Annual budgets are those that consolidate all the activities of the CSO into a single budget. All project and departments prepare budgets that are consolidated into one. Best practice for budget preparation is normally to finalize the budgeting process at least three months before the commencement of the coming financial year.

Steps in preparing an annual budget
The first steps in preparing a budget in informing and mobilizing all those who will participate in the budgeting process. The process should start towards the end of the year (e.g. October) but at most three months before end of the year.

1. Every department / program Manager/Budget Holder prepares a proposal plan & budget that includes objectives and planned activities; personnel needed and

proposed expenditure by line item and by month. Only approved items should be included with final budget plans.

2. For programs, a zero-based approach is recommended. All on going, incoming and proposed activities shall be consolidated into the plan.
3. Included in the prosed individual budgets, the budget holders will submit their capital expenditure and staff requirements for the budget year with full justification.
4. Budget holders will then submit their plan & budget proposals by 31st October in order to have adequate time in November for the management to review and consolidation these. The Final plan & budget has to be presented to the board of directors before 15th December of any year.
5. The plan & budget proposals for each location/project/activity will be reviewed by the whole team and consolidated by the Accountant/Finance Officer/Accounts Assistant before submission to the Coordinator/Director/CEO(s) and eventually to the board of directors.
6. The Coordinator/Director/CEO(s) will review the consolidated budget and after review will get an overall approval from the Board of Directors before end of December.
7. The budget must always balance the projected income to the projected expenditure. Program budgets shall not be prepared with a deficit.
8. All budgets items must be supported by a justification, activity and intended outcomes. The budgets should contain explanatory notes and details of activities to be done.

Basic budget rules for costs determination and estimation

1. Reasonable – doesn't exceed what a prudent person would incur
2. Necessary - recognized as ordinary & necessary key operations
3. Unallowable - Fines and penalties
4. Undocumented – can't be validated through documentation
5. Unreasonable - Using first-class seating for airline travel
6. Unapproved - Costs in application was not included or approved in final budget/ award and other prohibited cost by specific donor

The cost estimate is what helps you determine realistically what it will cost to implement your operational plan. Careful cost estimation helps in the following ways:

1. It helps you develop an accurate budget; and
2. It helps you monitor and control the actual costs of carrying out activities.

The costs you need to estimate fall in the following categories

1. Operational costs – the direct costs of doing the work e.g. the cost of hiring a venue, or of printing a publication, or of travelling to the sites where fieldwork needs to take place. Here you would include materials, equipment, transport and services
2. Organizational costs (also called core costs) – the costs of your organizational base, including management, administration, governance. Once you have decided on the best organizational set-up to support your operational plans, you will incur the organisational expenses on a regular basis – even if you do not carry your plans or have activity levels as high as you had hoped. So, for example, if you hire premises for projects but only manage to carry out two, you will still have to pay rent for the extra space.
3. Staffing costs – these are the costs for your core staff – the people involved in management, the people doing the work that cuts across projects. (These costs can be included as a category under "organizational costs"). These costs include their

salaries and any benefits. You can 'charge staff costs out' to the various projects on which staff members work.

4. Capital costs – these are costs for large 'investments' which, while they may be necessary because of a project or projects, will remain organizational assets even after the projects are over. Vehicles and equipment such as computers fit here. They may be used by all projects, or they might only be required for a specific project.

Frameworks for estimating costs

Depending on the needs of your organisation or project, your heading may be a bit different. This should give you some guidelines.

Estimating operational costs: Table 5

Activity	**Unit cost**	**Quantity**	**Total cost of item**
• Materials • Equipment • Services • Transport	The unit cost is the cost of a single item, or one unit. e.g. Cost per day, per kilometer, per person	This is the number of units (how many) you will need for the activity. e.g. 200 training packs, 130 days of trainer's time	Multiply the total number of units by the unit cost
Total cost for Activity			**The sum of all the individual costs**

Once the budget has been agreed and the activities implemented, the process is completed by comparing the plan (budget) with the eventual outcome (''actual"), to analyse any variances, report the performance and pick out any lessons and action plans that inform the next budgeting process.

Grants Application / Proposal Budgets

Programs will from time to time make proposals for funding from various donors (as part of fundraising). In some cases, the donor will call for proposals/interest in which case the budget must conform to the requirements of the funding agency.

a) During proposal or grant application, the proposal team puts together all activities to be done, the staff required, and the capital items required to implement the project and propose the costs for each item. The team shall review the donor background and restrictions before finalizing the proposals to ensure that all conditions have been adhered to.
b) The finance team shall offer financial assistance in reviewing the proposed budget cost and stream lining it with the proposed activities and the donor requirements.
c) The budget should always balance the source amount and the total expenditure by reviewing the donor obligated financing limit and where not available the possible donor limits of funding that can be obtained.
d) The proposed budgets items must be supported by a justification, activity and intended outcomes. The budgets should contain explanatory notes and details of activities to be done.
e) These budgets shall be approved by the Country Director together with program proposals before they are submitted to the potential funders.
f) Proposal budgets shall be consolidated in the annual budget above.

3.0 INCOME, PAYMENT PROCESSES AND EXPENDITURE MANAGEMENT

3.1 Income

The aim of this section is to ensure that all cash receipts are properly recorded when received and to establish a chain of accountability from the time of receipt until the collections are deposited in the bank.

For cash receipts

1. All collections shall be covered by pre-numbered official receipts in duplicate prepared by the receiving staff
2. Cash receipts should be deposited to the bank intact and banking slips filed to support the receipts raised.
3. Physical handling of cash (receipt and disbursement of petty cash) shall be the responsibility of a designated officer
4. Accountant records Official Receipts in the Books and posts in the cash receipts book and to the subsidiary ledgers.
5. Record funds received on a receipt (receipt book) indicating the department/unit code, budget code, describe purpose, amount and date
6. Bank or deposit in petty cash box safe before banking.

Donor or grant receipts

1. Donor or grant receipts are mainly done through direct bank transfers and a few cases where cheques are received.
2. The finance team shall confirm with the bank the amount received and raise a receipt for recording in the accounting system
3. After raising the receipt, finance shall prepare and send an acknowledgement to the donor of the amount of funds received, the date of receipt and the purpose for which the funds were received.

3.2 Payments through Petty Cash

1. Petty cash shall be on **imprest system** with a maximum float determined by management. The agreed float balance shall be processed as a cash withdrawal cheque and the withdrawn cash given to the petty cash custodian.
2. All petty cash expenditure must be approved by the finance manager of accountant (as designated) before disbursements are made from the cash box
3. Raise a petty cash voucher and manager to sign/approve and release funds
4. Receive the purchases or expenditure report with support documents (receipts, delivery notes etc)
5. Accountant records in the accounting system and files the vouchers with support documents.
6. The petty cash holder shall monitor the cash balance through the accounting system or analysis sheet and when the balance reaches the determined minimum level, raise a petty cash reimbursement request.
7. The request is processed through the cheque system as described below.
8. Every week or month and on each reimbursement, perform a count cash and perform **a cash reconciliation** (document, sign and file)

3.3 Payment Processing

1. The main purpose of the payment processing system is to ensure proper payments have been approved, that there is a record in place that provides evidence of which cheques are to be charged to, that cheques have been collected by the respective vendors and also to satisfy that the vouchers were prepared, checked and duly approved by the responsible authorized officers.
2. The buying department/programme/staff should prepare a payment requisition with attached supporting documents (see payment voucher preparation below). The budget holder then verifies that the payment is within budget limits and budget line and approves the requisition.
3. The requisition is then forwarded to finance who will review and verify requisition, budgets and supporting documents. Check that the payment is in order, meets all procurement requirements and funds are available *(see procurement procedures below)*
4. The finance should check the amount needed against the line items. If it is not within the approved budget, then consult with the budget holder or his/her duly authorized representative.
5. A payment requisition should be supported by the following documents:
    a) an original invoice from the supplier attached to a properly approved purchase order & evidence of receipt for the item purchased or satisfactory performance of the service.
    b) a properly approved Expense Report with supporting receipts
    c) a properly approved request for petty cash fund replenishment
    d) a properly approved payroll
    e) a properly approved request for cash advances
6. Thereafter, finance prepares the payment voucher for payment approval. The payment voucher form shall contain the following information: a) Name of Payee, address (where applicable); b) Description; c) Voucher/Cheque number and date; d) Mode of payment; e) Cheque number (If by cheque); f) Account, project, department and budget codes to be charged; g) Signature and date provisions for Preparer, Approver and Signatories; and h) Acknowledgement of the person collecting the cheque.
7. After review by the Finance and approval of the voucher by the CEO/Director, a cheque will be raised and attached to the payment voucher for the signing process to commence. All cheque signatories must approve by signature on the payment voucher after reviewing the supporting documents to the cheques.
8. All the cheques will be entered into the accounting system once approved by the signatories.
9. All payment vouchers supported with payment documents (original invoices, purchase order, tender documents, purchase request forms, contract etc) should be cancelled with a "PAID/DATE" stamp and filed sequentially.
10. All direct bank payments e.g. telegraphic transfers, & bankers' cheques shall be subjected to the all procedures of payment voucher preparation. A letter of transfer to the bank authorizing the transfer shall only be raised and signed after the necessary supporting payment voucher and documents have been approved.
11. All bank charges posted to the bank account must be reviewed against the transactions they relate to by the FM to ascertain their eligibility before being recorded.
12. All payments made from donor funds shall be made as per the requirements/ agreements with the donor. The finance staff in charge should obtain donor agreements and reference documents to understand and implement the procedures as required.

13. Separate document files shall be maintained for the donor payments and all voucher documents marked with the donor/project codes to allow for unique referencing and posting to the accounting system.
14. All payment vouchers should be pre-numbered and sequentially follow the cheque number used.
15. Cheques should be signed only after the official signatory has examined the cheque requisition vouchers and other supporting documents and is satisfied of the completeness of the payment.
16. Pre-signing of cheques is not allowed unless in special circumstances e.g. emergencies.
17. Cheque books, cheque registers and/or cashbook should be kept in a safe at all times by finance.
18. A cheque register detailing the cheque number, payee, date of collection, ID number of person collecting and his/her name and signed by him/her should be maintained. Person releasing cheque should record details of the cheque and voucher and the person the cheque is released to and his/her personal details. This record should be kept or filed. In the absence of this record, the voucher signed by recipient shall suffice.

3.4 Requisition and Accounting for Work Advances

1. Work advances may be necessary during implementation of activities. These are funds given to officers of the organisation to facilitate disbursements in the field such as per diems, accommodation, transport, meals participant allowances and other payments.
2. Advances must be made within the rules and limits of the CSO and must be accounted for under procedures detailed in the finance manual.
3. Work advances shall be accounted for within specified days after return from field.
4. Overspend without prior approval may not be eligible unless under emergency or remote areas that lack communication to facilitate prior approval. Post expenditure approval in this case shall be justified in writing.

Work Advance Requisition

1. Before approving advance request, the supervisor should check that the projected expenses are well supported in the budget, project related, due to the CSO and relate to activity plan for that project in that period.
2. Finance shall process the request by confirming the details, status of previous advances and budgets to arrange for the requested amounts the day before travel.
3. No advance shall be approved to staff before the liquidation of previous pending advance has been received and approved. A further advance can only be approved if staff has pending advance and the activities are ongoing or when the travel is continuous from one activity to the other. In which case, staff will liquidate all the advances on return.
4. All payments of advances shall be by cheque which shall be used to withdraw the required cash from the bank (the cheque payment procedures apply). Finance shall prepare a cheque in name of an approved agent to the bank based on the approved advance request (advances shall be consolidated for withdrawal where they are more than one or on a weekly program/plan).
5. Cash withdrawn shall not be mixed with normal petty cash box funds. The cash will be safely kept separate in the safe for the specific use on advances. All floats shall be posted to the respective staff advance account in the accounting system by the finance.

6. If the trip or planned activity fails to take place; funds are returned to the Cashier for safe custody and/or re-banking. If funds had not been advanced, the officer requesting for the funds should advice the finance to hold the request. The held request shall be for maximum 7 days after which the funds shall be banked, and a fresh request submitted when activity is rescheduled.

Work Advances Accountability

1. Accounting for the travel and purchase advance shall be by use of a **specified Form**; fully detailing the expenses with all supporting receipts attached as supporting evidence of the expenses and approved by the supervisor. Staff should sign and submit it to finance for normalization into the ledger and final approval by the CEO/ Director.
2. All forms shall be accompanied by an official report of the object of travel/trip, work done and the outcome of the travel (as part of monitoring feedback) signed by the supervisor.
3. Where staff has genuinely lost/misplaced receipts or did not obtain receipts for the transaction, he/she will be required to draft a memo explaining that case, have it approved by the supervisor and attach it as a supporting document to the liquidation.
4. The reported expenses shall be expensed from the advance account of the liquidating staff by a journal posted by finance upon approval by CEO/ Director.
5. All cash advances shall be properly liquidated with official receipts/supporting documents within specified period of working days from the date the expenses are incurred or upon return of staff from the field (thus the liquidating staff must attach copies of travel documents e.g. boarding pass, bus ticket or vehicle log reference where the CSO vehicle was used).
6. Any unspent balances of the money advanced should be returned to the Petty cashier who will issue an official receipt that will be attached to the liquidation form as proof of returned cash and banked latest the next banking day.
7. Staff are expected to spend within the approved advances as the use of personal funds & request for re-imbursement is highly discouraged. If circumstances dictate, and with prior approval, staff may use their own funds and make claims at the end of the trip.
8. Re-imbursement for expenses in excess of the advanced amounts shall only be processed after the liquidation accounting has been approved by the CEO/ Director.
9. A float register will be maintained in the finance office for floats and liquidations to facilitate tracking of the accounting for floats.
10. Ageing of Travel Advances (i.e. showing the number of days an advance has been outstanding) should be done on a monthly basis to determine overdue accounts. Overdue balances should be deducted against salary as per the approved advance form and in accordance with the CSO policy.

4.0 PROCUREMENT PROCESSES

4.1 Overview

General: The purchase of goods and services is necessary for the smooth operation of the organization. There is therefore a need to be organized about the procurement processes to ensure efficient, effective, and economic use of resources. There are three key aspects of procurement, (the 3 Ps) Process, People and Paperwork.

Process: The procurement process describes the steps and rules that need to be followed to order, receive, and pay for goods and services. The higher the value, the more steps we need to follow.

People: The procurement process involves a range of people who initiate and/or authorize each stage of the process. The higher the value and risk involved, the more people involved to ensure integrity of the process and protect it from risk of fraud. For example, if purchasing a high value item such as a vehicle, it is usual to include a purchasing panel (purchase committee) to ensure objective supplier selection.

The procurement process is built on the principle of separation (or segregation) of duties, and applies formal delegated authority rules, to ensure proper control. Sharing out responsibility between different people, and incorporating a range of checks, protects those involved and minimizes the opportunity for fraud or collusion with suppliers.

The procurement process also builds in checks by line managers to ensure that the rules of delegated authority are followed by those that they manage, e.g., checking that a project officer has not exceeded their authorized limits when ordering goods or services.

Paperwork: Each stage of the process generates paperwork and supporting documentation, such as purchase requisitions, purchase orders, quotations, invoices, and payment vouchers. All the documentation should be filed together for each transaction for reference and audit trail.

4.2 Steps in Procurement Process

The process in table 3 and the flow diagram (figure 3) below describes the steps involved when purchasing higher value items with a supplier account.

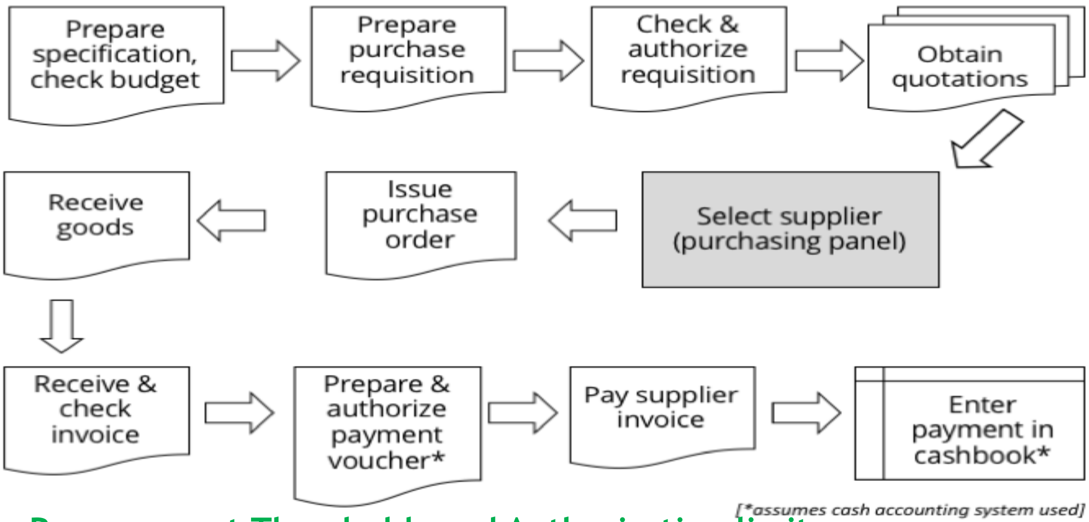
Table 3: Detailed Steps in the Procurement Process

	Process	Responsible	Documentation
1	**Prepare specification, check budget**		
	Specify the standard, quantity, and price of goods or services required, as described in activity plans. Check how much is available in the budget for the item in case the price has changed	Authorized project staff or budget holder	Budget specification note
2	Prepare purchase requisition		
	Prepare formal request to purchase the goods or services specified in step 1, including a detailed description and why it is required	Authorized project staff or budget holder	Purchase requisition form
3	Check and authorize purchase requisition		

	Process	Responsible	Documentation
	To verify that there is a genuine reason for the purchase (and budget available for high value items).	Budget holder or another authorized person	Purchase requisition form
4	Obtain quotations		
	In line with internal procedures and funder rules, request price quotations from reputable independent suppliers to ensure best value for money and minimize the risk of collusion.	Logistician or another authorized person	Supplier quotations/ terms of business
5	Select suppliers		
	Review quotations and select supplier based on price, quality delivery times, and after sales terms to ensure value for money. For high value contracts a purchasing panel will select the supplier by evaluating or comparing the quotations or bids. This panel is sometimes called a purchase committee and is made up of a small group of authorized staff.	Budget holder or other authorized person or purchasing personnel	Supplier quotations/ terms of business, supplier assessment form, comparative bid analysis
6	Issue purchase order		
	Send authorized PO to selected supplier and file a copy with the supplier's quotation. This is a legally binding contract	Budget holder or another authorized person	Purchase order selected supplier quotation
7	Receive goods from supplier		
	On delivery, check goods and sign goods received note to confirm receipt. Check details and file with PO	Authorized project staff or logistician or another authorized person	Supplier invoice, supplier quotation
8	Receive and check invoice		
	Check the invoice and payment terms, and match up with associated paperwork	Perspective	
9	Prepare and authorize payment voucher		
	a) Prepare payment voucher form and attach all supporting documents and original invoice. b) Check details add cost center, and account codes, then authorize payment voucher confirming payment can be made.	a) Authorized project staff or Finance staff* b) Budget holder or Other authorized person (as specified in delegated authority rules)	Payment voucher form, all supporting documents
	Pay supplier invoice		
	Pay supplier as specified by the payment terms, usually within 30 days. Stamp invoice as "paid" and note payment date and details on payment voucher form	Finance staff	Payment voucher form, supporting documents, check or bank transfer document
	Enter payment into cashbook		

	Process	Responsible	Documentation
	The final stage is to record the payment in the organization's books of account.	Finance staff	

Figure 3



4.3 Procurement Thresholds and Authorisation limits

Each CSO should establish its procurement competition limits and thresholds including authorisation levels/limits. See table below for an example

Threshold	Minimum Competition Requirement	Responsible	Contracting Mechanism
Up to SSP 39,999	Verify fair market price/ Single Source	Procurement Officer, Unit Head	Credit card, cheque or petty cash
Between SSP 40,000 - 80,000	Two (3) written quotations	Procurement Officer, Unit Head, CEO / Director	Purchase order
Between SSP 80,001 and SSP 749,999	Three (4) written quotations	Procurement Committee, CEO / Director	Purchase order
Between SSP 750,000 and less than SSP 2,500,000	Open Tender.	Procurement/Tender Committee, CEO / Director	Purchase order
More than SSP 2,500,000	Closed Tender	Procurement/Tender Committee, Country Director and >SSP 5,000,000 the Board	Purchase order and inspection prior to acceptance

4.4 Role of Procurement Committees or Purchasing Panel

A procurement and tender committee is a necessary ingredient in handling procurement activities in the organisation. The main responsibility of the procurement committee is;

1. To make sure that procurement activities are initiated on time

2. To collect quotations and tenders, evaluate the offers, award bids and related activities.
3. Ensure that the procurement process fulfils donor requirements
4. Award procurement contracts in accordance with prescribed thresholds;
5. Ensure that funds are available for the procurement under consideration;
6. Ensure the organisation does not pay in excess of prevailing market prices and thus value for money.
7. To make sure that all internal and external experts required for the project are being consulted early in the project phase and committed to provide the input/ information/ specifications needed for the procurement activities – and to ensure that procurement plan and activity plan correspond.

4.5 Value for Money in Procurement

Value for money is a core principle underpinning procurement processes. Value for money is enhanced in procurement processes by:

1. ensuring the technical description of items/ services in call for bids is exhaustive & not vague;
2. criteria for selection is well publicized and understood by the selecting persons;
3. encouraging competition;
4. by ensuring non-discrimination in procurement;
5. using competitive procurement processes to obtain the best quality at a competitive price;
6. promoting the use of resources in an efficient, effective and ethical manner; and
7. making decisions in an accountable and transparent manner.

4.6 Procurement procedures/Rules

4.6.1 Requisitions for Goods

The purchase requisition process starts with a purchase requisition, a document that is created by the purchaser and submitted to the department that controls finances. A procurement requisition form is normally completed for all procurements. The requisition form is completed by the staff member requesting the good or service and includes the following information:

1. Description of good/service required
2. Identification of section/program which/who requires good/service
3. How the good/service will be used
4. Budget Code
5. Detailed specifications (quantity/description)
6. Date good/service needed
7. Address for supply
8. Written explanation on the process followed to determine the requirement

Once the requisition form is completed, the form is submitted to the Finance/ Accounting officer/Department for review and verification of budget data. The requisition form is then submitted to the appropriate authorization office for review and final determination if the procurement is approved or not.

After approval, the procurement/finance officer checks the minimum required procurement method based on the amount, confirms that the specification on the call are adequate and initiates the call for bids in line with procedures for calling for bids.

4.6.2 Quotations and Bids

1. Specific officers within the organisation such as procurement officers are charged with the responsibility of soliciting for quotation for goods/services using the information provided in the Requisition form. He/she seeks technical guidance from relevant departments as necessary.
2. The specifications for goods and services to be purchased including those for professionals and consultants must be detailed on the call for bids and must be reviewed by the relevant qualified persons in that area of specialisation before being publicised.
3. Tenders shall be invited using formal tender documents with clear instructions and agreed timelines for submission and evaluation.
4. Quotations must be obtained in an open manner and shall be open to all suppliers. It is more efficient if the CSO has shortlisted or preferred supplier database for its main services that shortens the procurement time.

4.6.3 Analysis of quotations

The vendor information is normally analysed on a bid analysis sheet, detailing quantities, unit costs, compliance with specifications, validity, mode of payment etc

All procurements with bids shall be analysed by the responsible person/committee and the reasons for selection be documented on the analysis form and signed by all members if it is a committee.

The bid analysis sheet with required attachments including the approved requisition form, the quotations received, and any additional notes from the decision-making process is then forwarded for review to the relevant department (normally finance). Final approval request is then forwarded to the authorised parties.

4.6.4 Contract/Local Purchase Order

A purchase order refers to the official confirmation of an order. It is a document sent from a purchaser to a vendor that authorizes a purchase. Local purchase orders will be processed after an award for goods and services and signed by the CEO/Director.

4.6.4 Tendering

A tender is a public offer or bidding process based on the threshold set by the procurement policy.

Types of Tenders – Tenders can be **closed or open Tender**.
1. **Closed Tender** is restricted to a few selected suppliers and is selected based on the type of goods or services being purchased e.g. sensitive goods of security nature, during emergency etc.
2. **Open tender** is advertised publicly to allow as many suppliers to respond to the call for bid.

The tender becomes a legally binding agreement only when it is contractually agreed and accepted by both parties. Up to that time the tender may be withdrawn.

When requesting tenders for goods and services the following details need to be included:
1. Concise specifications of what is required;
2. Number and quantity of items required
3. The intended use of the item, and location if relevant;
4. When the item is required, or a timeframe for delivery;
5. Exactly what price to be quoted will cover;

6. How and where the bids will be presented and by when.

Procedures for Tenders

1. Request for Proposals / Bid documents shall be prepared by Finance/procurement officer under the supervision of a procurement committee and with technical assistance as necessary.
2. The bid documents shall include detailed specifications of the goods or services to be procured, contractual conditions that apply to the proposed procurement, and instructions to the bidders. These documents must be comprehensive and descriptive of the required items. Particular care must be taken to ensure that the goods and services to be supplied are described with sufficient clarity and in sufficient detail to form the basis for competitive bids, and that the manner in which specifications and other conditions of the contract are prepared does not prejudice participation of any qualified suppliers.
3. Instructions to bidders shall include, but are not limited to:
   i) The final date and time when bids are to be received.
   ii) The address where the bids shall be received
   iii) Form and language to be used in submitting the bid.
   iv) Date, hour, and place of bid opening.
   v) Validity period of bids.
   vi) Names and addresses of officials to be contacted for supplementary information.
   vii) A reservation enabling the CSO to reject all bids, or to award separate contracts for different portions of the goods and/or services covered by the invitation to bid, or to combine bids on different items into one contract.
   viii) Advice as to whether or to what extent:
      - Partial bids can be accepted, or if only bids taking up all items in the call for bids are required.
      - Alternative bids can be accepted, i.e., offers to supply goods and/or services which differ in some respect from those described in the specifications.
      - Samples should accompany the bid.
      - Technical information on the capacity and performance characteristics of the product should be provided.
      - Information on the bidder's financial and other resources should be provided.
      - Information should be included pertaining to any subcontracting arrangements which the bidder might enter into for the purposes of fulfilling the contract.
4. Bids shall be opened on the date, time and location specified. Interested parties shall be permitted to attend bid openings and to examine copies of bid documents. Any information restricted by bidders shall not be disclosed unless it qualifies the bid.
5. A Bid Opening Analysis Sheet shall be prepared during the opening of bids that summarizes the bid number, opening date, short description, name of bidder, price, and other evaluation data. A bid adjudication form shall be prepared summarizing the response to each solicitation.
6. Prior to the award decision, all required documents and evidence to the bid shall be verified and proof will be evidenced/sought that the proposed supplier is solvent and able to fulfil the conditions and requirements of the contract, is able to comply with the required delivery schedule, and has a satisfactory record of performance. Failure to meet these criteria may result in disqualification of the supplier and rejection of the offer.
7. Awards are made on the basis of the most advantageous bid based on the various appraisal factors identified by the committee. The appraisal factors shall be weighted, and points awarded based on the weight for each bid.

8. Any quotation which fails to conform to the essential requirements of the bid may be rejected. Unless all bids are rejected, an award shall be made within a reasonable time after technical review, consultation with the donor (where required) and, as necessary, with project staff. Unsuccessful bidders will be notified by mail, email, or fax at the CSO’s discretion.
9. Post-award adjustments may be made by the committee in response to specific needs of a project that will allow effective and efficient implementation.
10. The procurement committee is required to document their selection criteria by way of preparing an analysis of tenders detailing the suppliers, price comparisons and unique features of the bids. The document shall state the reason for selecting a supplier and any further follow ups required.

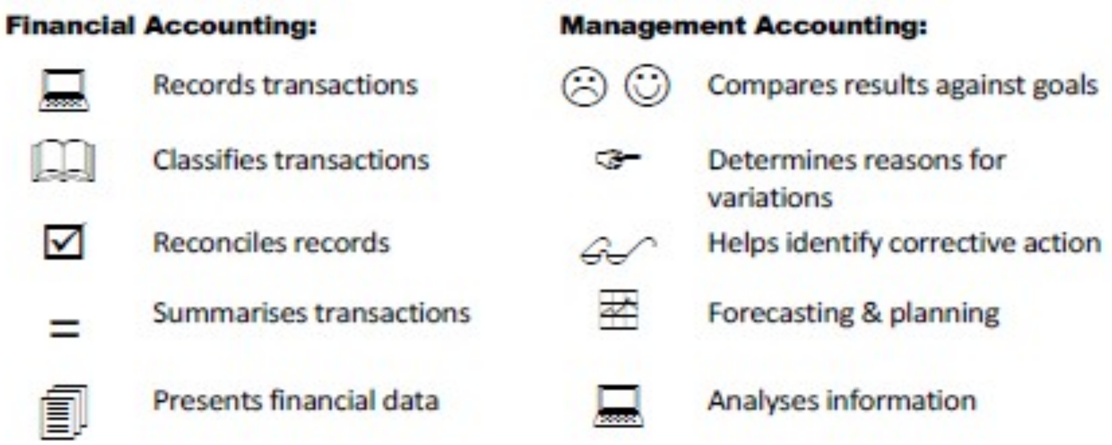
5.0 ACCOUNTING AND DOCUMENTATION

5.1 Importance of Keeping Accounting Records

It is important that an organisation keeps accurate and up-to-date accounts. These should be backed up with full and detailed records of all organizational income, expenditure, assets, liabilities and fund balances.

The following are the key reasons for keeping accounts:
1. It makes it possible to find important information and document quickly
2. The keeping accurate financial records promotes integrity, accountability and transparency thereby enhancing credibility.
3. Accounting information is used for future planning and understanding more about the operations of the organisation. It is possible to identify patterns and trends that may be useful for future planning.
4. Accounts are prepared as a legal requirement. There is often a statutory obligation to keep and publish accounts. Donor agencies almost always require audited accounts as a condition of grant aid.

Financial accounting vs. management accounting
For the financial management process to take place effectively, financial systems and procedures need to cover two aspects of accounting.



5.2 Accounting Codes / Chart of Accounts

1. A chart of accounts is the listing and description of books of accounts maintained by the organization. It is one of the most important organizing tools in accounting and financial management. They are many activities involved in running an organisation such as buying goods and services, paying running/office costs, purchase of tools and equipment, paying for services etc. Likewise, organizations need to receive funds to pay for costs as grants, donations, income generating activities, membership fee etc. It helps to classify the different types of financial transactions into a series of predetermined descriptive categories or accounts. These accounts are listed in a chart of accounts document.

2. The coding structure/chart plays a key role:
   a) Classify financial transactions in the financial accounting records
   b) Summarize budgets using standard and consistent descriptions
   c) Create management accounts
   d) Check accounting records for consistency and accuracy

3. The chart of accounts shall be maintained in the accounting system and a printed hard copy (updated) filed every time a change is made and shall include the following sections: Assets, Liabilities, Income and Expenses. All incomes and expenditures must be allocated according to the CSO's system of coding and shall include account codes, name of account, type of account and its default currency denomination.
4. Creation, allocation and modification of account codes is only be carried out by the head of finance with pre-approval from the CEO/ Director or his/her designate.
5. Accounts classes will also be created and listed to conform to the various accounting and reporting requirements. All donors and projects shall be assigned class codes for allocating income and expenses at the time of recording to facilitate fund accounting

See the below extract of a chart of accounts for a small NGO/CBO referred to as Eternity Institute.

Eternity Institute Chart of Accounts

CODE	Account Name	Notes
1000	INCOME FUNDER	
1010	DFID	For grants received from this funder
1020	USAID	For grants received from this funder
1030	GIZ	For grants received from this funder
1140		
2000	EXPENDITURE: ADMINISTRATION	
2010	Rent and utilities	Office rent, Insurance & utilities
2020	Stationery	Office consumables
2030	Repairs	Servicing and small equipment costs
3000	EXPENDITURE: PROJECT INPUTS	
3010	Consultants fees	External trainers fees
3020	Training materials	Paper, pens, tools
3030	Food and accommodation	Room hire and food for trainees

5.3 Project Cost Centres

We use project (or activity) cost centers to separate different activities or functions within the financial accounts and budgets, for example, a project, a program area, a department, a country program, a region, or a funding source. Each cost center is given a unique reference or code.

If a program is made up of multiple projects and is supported by different funding agencies, you need to design a cost center structure that allows you to meet internal and funder reporting requirements. Some coding structures can therefore be quite sophisticated and are many digits long.

5.4 Accounting Records to Keep

Accounting records fall into two main categories:
1. Books of account
2. Supporting documents

Books of account

These keep track of all the financial transactions. The main books include
1. Cashbook (also known as the bank book or cash analysis book), one for each cash holding or bank account
2. Accounts payable and accounts receivable ledgers
3. General or nominal ledger
4. Journal register or day book
5. Salaries or wage records
6. Assets register
7. Stock register

Supporting documents

Supporting documents are the original paper records when an organisation makes financial transactions, pays for goods or services or receives income. Every entity should keep files of the following original documents to support every transaction taking place. Information is transferred from the supporting documents and recorded in the relevant books of account.

1. Receipt or voucher for money received
2. Receipt or voucher for money paid out
3. Invoices and contracts – certified and stamped as paid
4. Procurement documents
5. Bank paying-in vouchers stamped and dated when money is taken to the bank
6. Financial reports and reconciliations
7. Employment records
8. Statutory documents – registrations and returns

It is important to remember on very simple rule about supporting documents:

'Every financial transaction MUST be supported by at least one valid supporting document as they provide evidence that the transaction took place'

Why are supporting documents so important? Supporting documents are important for many reasons and that is why we must all make a big effort to obtain valid receipts when we implement projects.
1. They are used in the financial accounting process to record details of the transaction in the books of accounts.
2. They are required for the external audit process to prove that the transactions took place as described in the accounting records.

3. They provide protection to the project staff handling money. Mislaid or incomplete records can result in suspicion of mismanagement of funds.
4. For historical records and data recovery

5.5 Bank and Cash Management

The bank book – or cashbook or cash analysis book
This is journal in which all cash receipts and payments (including bank deposits and withdrawals) are recorded first (i.e. 'cash' transactions). It is normal to maintain a separate bank book for each bank account held as this makes it easier to reconcile each account at the end of the month.

With a manual (i.e. paper based) bank book, receipts are usually entered on the left side and payments on the right and each page is ruled into columns (see Table 1 for a worked example). The number of columns required will depend on the type and volume of transactions.

Each transaction is entered on one line of either the Receipts page or the Payments page in date order. The column headings prompt you to enter key information – e.g. date, cheque number, payee, description, amount, category of transaction, etc. The columns are totalled at the end of each page or accounting period.

Cash book - Worked example: Table 1

Re	Date	Payee/	Descripti	In	Expen	Out	Balan	Re
	1 -		Opening				1,0	
16	2 -	Bank	Transfer to cash	20.0			21.0	
17	2 -	20 Activists	incentives		13,0	13.0	8.0	
18	7 -	Ivava	Transportation		4 5	4 5	7.5	
19	8 -	Doris	Transportation		5 6	5 6	6.9	
20	1 0 -	Ilidio	Transportation		4 6	4 6	6,4	
21	1 1 -	Oteng	Transportation		7 8	7 8	5,6	
22	1 2 -	Machar	Transportation		2 0	2 0	5,4	
23	1 3 -	David	Cash advance			1 0	5.3	
24	1 4 -	Mary	Change from Cash	30			5 3	
25	2 8 -	Richard	Cash Advance			5.0	3 5	
			Ending Balance				**3 5**	
			Total	**2 0 .**	**15,4**	**20.5**		

Bank Reconciliation
A bank reconciliation is the process of matching the balances in an entity's accounting records for a cash account to the corresponding information on a bank statement. The goal of this process is to ascertain the differences between the two, and to book changes to the accounting records as appropriate. The information on the bank statement is the bank's record of all transactions impacting the entity's bank account during the past month. A bank reconciliation should be completed at regular intervals for all bank accounts, to ensure that a company's cash records are correct.

In practice, there will almost always be a difference because of timing delays, such as:
1. Money paid into the bank which is not yet showing in the bank's records

2. Cheques issued to a supplier but not yet banked by the supplier
3. Bank charges and bank interest which get added to the bank statement by the bank periodically
4. Errors either made by the bank or when recording entries in the bank book

Bank reconciliation Process

1. The head of finance is responsible for ensuring that all bank accounts are reconciled on a regular basis. He is also required to review and sign the bank reconciliation statements.
2. Finance Staff other than those who physically handle the cash or keep any records involving cash should be the ones in charge of the reconciliation.
3. It is good practice to perform reconciliations, review and approve them by the 10th of the following month. The process of bank reconciliation shall require the following;
   i) Secure all monthly bank statements by the 5th of the following month.
   ii) Compare transactions in the bank statements against those recorded in the cash book.
   iii) Compare deposits as indicated in the bank statement with the cash book. Un-cleared deposits and credits will be shown as deposits in transit.
   iv) Compare the paid cheques with entries in the cash book. Un-cleared cheques and payments will be reflected as outstanding cheques.
   v) Observe or note for other reconciling items such as bank charges, interest, withholding taxes, bank debit and credit memos and bank/book errors.
   vi) Obtain from bank copies of debit/credit memos or similar documents that are not enclosed in the bank statements.
   vii) Prepare journal entries for other reconciling items.
4. Closing balance cut-off should clearly be stated in the reconciliation if the actual end month date is not used as the cut off.
5. Bank reconciliation should be done monthly to ensure that all cash and bank transactions during the period are recorded and cash and bank balances are accurately reflected in the books of accounts on a timely basis. The bank statements should be filed with bank reconciliation schedules and retained for future use.

Cash Reconciliation

1. AS indicated in section 3.3 above, the accountant should reconcile that the actual cash available in the cash is the same as the balance in the Petty Cash Book on a regular.
2. Follow these steps to prepare a cash reconciliation:
   a) The accountant should count the cash in the petty cash in the presence of the manager.
   b) Then compare the balance of the petty cash to the balance in the Petty Cash Book.
   c) If the amounts are not the same, then investigate the cause.
   d) If the accountant needs to make a change to the Bank Cash Book, the manager must sign.
   e) Note: At the end, the two balances MUST agree.
   f) If the amounts are the same, or once reconciled, the accountant and manager sign the reconciliation

Bank Accounts

The opening and closing of bank accounts should be authorized by the board of the CSO

Bank signatories - It is good practice to ensure all accounts have at least 2 signatories and at least 2 signatories to sign on all cheques or approve all online payments. One signatories (preferably the CEO) must be a mandatory signatory.

6.0 FINANCIAL REPORTING / MONITORING

Financial reports are developed for internal use within the organization and for external use such as for submitting reports to donor agencies.

These reports are important for both program management and stakeholder accountability. Project teams need to monitor project progress by comparing the budget (i.e., the plan) with what happens during implementation. Plans do change people get in the field, so it is important to spot problems early on, such as changed spending activity, that might impact on project targets or funder rules. Those responsible for programs also need to give an account of how they have used donated funds to a wide range of stakeholders. Good financial reporting to stakeholders brings credibility and builds trust.

6.1 Financial Reports Prepared by Civil Society Organisations

Table 6 below outlines the main financial reports prepared by CBOs/NGOs, outlining who they are aimed at and how they are used for project monitoring and accountability.

Table 6: Financial reports and how they are used

Report type	For	Frequency	Use
Budget Monitoring report	Project staff, managers and board members	Monthly	Track the use of project funds compared to budget Identify any problems early on and plan corrective action for the next phase of implementation
Funder/Donor progress report	Funding partners	As specified by funder's rules	Explain how project funds are being used, compared to the original plan and targets. Request changes to the budget or terms of agreement.
Financial statements (audited)	Funding partners (current/potential), government	Annual	Be publicly accountable for the organization's income and expenditure, and assets and liabilities

6.2 Developing Financial Reports

As already discussed, the data for financial reports is captured and summarized during the financial the financial accounting process. The main output of the financial accounting process is the financial reports. The management accounting process then takes the data from the financial accounts to create internal reports to support program management.

The finance team is usually responsible for compiling the financial reports. Best practices for the development of financial reports requires both project staff and finance staff working closely in the process when producing reports to stakeholders where a written progress report is also required, to make sure that the financial data is consistent with the narrative.

6.3 Annual financial statements

Annual financial statements are external in nature and normally inform;
1. Where the organizations funds came from during the year (income)
2. How the funds were used during the year (expenditure)
3. Outcome for the year (Surplus or deficit).
4. Net worth of the organisation at the end of the year (assets less liabilities).

As mentioned earlier, financial statements are produced from an organization's accounting records. They are a summary of all the transactions for a specified period and show the financial position of an organization. The two main reports that comprise the financial statements for organizations are the balance sheet (or the statement of financial position) and the income and expenditure statement (in some countries this is also known as the statement of financial activities, statement of activities, statement of financial performance, statement of comprehensive income or Income statement).

The annual financial statements are also the basis for the annual external audit, an independent examination that assesses an organization's financial accounts, which is covered later in this module. The following are the types of annual financial reports: -

1. *Statement of Financial Position (Balance Sheet):* Seeks to provide relevant information about the organization's assets, liabilities, and net assets and about their relationships to each other at a moment in time. It shall report the amount for each of two classes of net assets – temporarily restricted net assets, and unrestricted net assets – based on the existence or absence of donor-imposed restrictions.
2. *Statement of Cash Flows:* Aims provide relevant information about the cash receipts and cash payments of the organization during a period.
3. *Statement of Income and Expenditure:* Seeks to provide relevant information of changes in the income, expenditure and capital resources of the organization during a period. All donors to XYZ are listed in this report.
4. *Other Statements/Supporting Schedules*: Bank reconciliations; Schedule of Incomes; Assets register; Schedule of advances to staff; Schedule of accounts receivable; Schedule of prepaid expenses; Schedule of accounts payable and Schedule of gifts and donations.

See below an extract for both the statement of income and statement of financial position (Balance sheet) for Eternity institute.

Eternity Institute

Statement of Income and Expenditure

For the year ended 31 December <Year 5>

	<Year 5>	<Year 4>
	$	$
INCOME		
Funder Income:		
DFID	48,000	45,000
USAID	48,000	45,000

Other income:		
Training Fees	11,640	12,250
Sales	11,765	6,768
Donations and fundraising	6,750	6,600
Bank Interest	832	698
Total Income	**129,987**	**116,316**
EXPENDITURE		
Personnel costs	52,580	48,780
Administration	28,207	23,119
Project inputs	20,588	18,743
Vehicle running	15,686	12,670
Depreciation	12,455	13,633
Total Expenditure	**129,516**	**116,945**
Surplus/(Deficit) for the year	**471**	**(629)**

Eternity Institute

Balance sheet/Statement of financial position as at Dec <Year 5>

	<Year 5>	**<Year5 >**	**<Year4 >**
	$	$	$
Fixed Assets			
Tangible Assets		112,091	122,696
Current Assets			
Cash at bank/in hand	8,095		2,880
Grants receivable	10,000		5,000
Debtors	2,459		1,000
	20,554		8,880
Current Liabilities			

Creditors and accruals	(-3262)	(-2664)
Net current assets	19,292	6,216
Net Assets	**129,383**	**128,912**
Represented by:		
General purposes fund	13,292	6,216
Designated Fund - Equipment	4,000	
Designated fund - Fixed assets	112,091	122,696
Total Funds	**129,383**	**128,912**

6.4 Budget Monitoring Reports

Budget monitoring is used to measure how closely an organisation is meeting its objectives in terms of its finances. Comparisons of actual income and expenditure against the budgeted income and expenditure need to be done regularly. To do this, you need to be able to prepare a variance report. This shows you, month by month, where you are over-spending, under-spending or on target.

The variance statement compares the expected income and expected expenditure with the actual income and expenditure. The variance statement gives you an overview of what has happened in the reporting period (one month, three months etc). It also gives you an overview of financial performance for the year thus far ("year-to-date"). A variance statement shows you whether there are any trends that are developing in financial performance about which you should be aware. It gives you the opportunity to take action to correct problems.

See below an example of the format of a budget monitoring report/variance report.

Table 7 ABC Institute monitoring report

ABC Institute ICT Skills Training Project SSD
Budget V. Actual comparison report - January to March 2018

A	B	C	D	E	F	G
Figures in SSD		Q1: January to March, 2018				
Budget description	Annual Budget	Budget to date	Actual to date	Variance to date	Variance (%)	Notes
EXPENDITURE						
Indoor workshops	120,000	60,000	54,000	6,000	10%	

Local workshops	35,000	8,000	10,500	(2,500)	-31%	
Project visits	45,100	15,000	25,000	(10,000)	-67%	
Fuel	20,000	4,500	9,700	(5,200)	-116%	
Salaries	280,100	100,200	100,200	-	0%	
Vehicle insurance	15,000	5,000	5,500	(500)	-10%	
Training materials	115,000	27,500	25,150	2,350	9%	
TOTAL EXPENDITURE	**630,200**	**220,200**	**230,050**	**(9,850)**	**-4%**	

From the table;

1. Budget description (A) - Refers to the account name from the internal chart of accounts.
2. Annual Budget (B) – The project budget for the year, line by line with a total on the bottom row
3. Budget to date (C) - The phased budget, based on the planned activities, for the period covered by the report, in this example for Quarter 1 (January to March), line by line with a total on the bottom row
4. Actual to date (D) - The actual expenditure recorded in the accounting records for the period covered by the report, i.e., the first quarter, line by line with a total on the bottom row.
5. Variance to date (E) - The variance is the difference between the phased budget (column D) and the actual recorded expenditure (column E), for the period covered by the report, i.e., the first quarter, line by line with a total on the bottom row. A negative figure (denoted by the brackets around the figure) means the budget is overspent. A positive figure means the budget is underspent.
6. Variance percentage (F) - The figure in the variance column (F) expressed as a percentage of the figure in the phased budget column (D). Again, line by line with a total on the bottom row. A positive figure means there is an underspend compared to the phased budget. A negative figure means there is an overspend compared to the phased budget.

Sample Extract - Income and Expenditure Report (With multiple donors)

ABC Institute **Consolidated Income and Expenditure Report January to 1 December 2018**

Budget description			General Support	Capacity Building	Health	Total SSD
INCOME						
	DFID			750,000	100,000	**850,000**
	USAID			150,000	200,000	**350,000**
	GIZ		50,000		150,000	**200,000**
Total Income			50,000	900,000	450,000	**1,400,000**
EXPENDITURE						
Indoor workshops				200,000		200,000
Local workshops				100,000		100,000
Project visits				500,000	350,000	850,000
Fuel				50,000		50,000
Salaries			55,000	-		55,000
TOTAL EXPENDITURE			**55,000**	**750,000**	**350,000**	**1,155,000**
SURPLUS/ (DEFICIT)			**(5,000)**	**150,000**	**100,000**	**245,000**

7.0 INTERNAL CONTROL SYSTEMS

7.1 What is Internal Control?

Internal control refers to processes determined by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding:

1. Effectiveness and efficiency of operations
2. Reliability of financial reporting
3. Compliance with applicable laws and regulations.

Internal controls assure that the processes organisations want to happen will happen, and things they don't want to happen wont.

7.2 Why Are Internal Controls Important

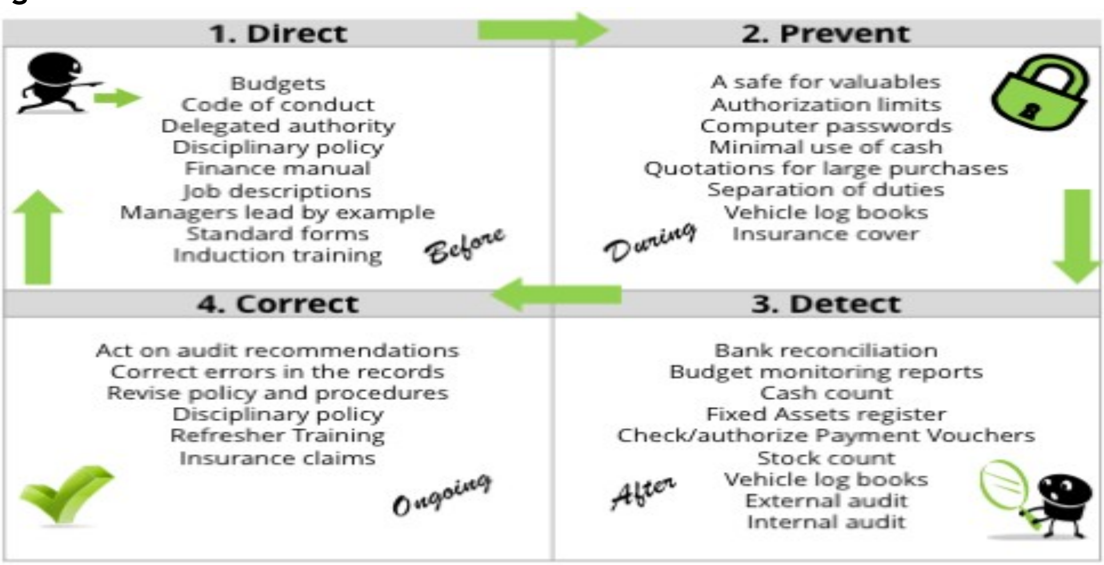
The overall purpose of internal control is to help CSOs to achieve its mission and accomplish certain goals and objectives. An effective internal control system helps an organisation to:

1. Promote orderly, economical, efficient and effective operations
2. Produce quality products and services consistent with the department's mission
3. Safeguard resources against loss due to waste, abuse, mismanagement, errors and fraud.
4. Promote adherence to statutes, regulations, bulletins and procedures
5. Develop and maintain reliable financial and management data, and accurately report that data in a timely manner
6. Reduce exposure to risks – minimizing the chance of unexpected events.

7.3 The four-Action Model of Internal Controls

An internal control that is strong system is intended to manage risks related to errors, omissions, theft, and fraud that result in the misuse of project resources. To manage these risks, projects need to establish a system to manage them on a day-to-day basis. One model for establishing an internal control system is through the four-action model (Figure 6). In general terms, the four-actions model guides a team as it establishes a collection of internal control policies, procedures, and practices that control fraud, theft, and errors before, during and after they occur

Figure 6: The four-action model



The actions in each phase of the model are integrated and designed to reinforce each other.

1. *Direct Actions*: Set clear guidance, policies, and expectations for good financial practice. These actions generally take place before project activity begins.
2. *Prevent Actions*: Establish systems that remove the opportunity for theft and minimize the risk of losses due to errors. These actions take place during the implementation of the project.
3. *Detect Actions*: Implement processes and procedures that identify if and where activities have gone wrong. These actions identify problems after the improper activity has taken place.
4. *Correct Actions*: Update and improve internal control systems as the organisation grows. These actions are ongoing and aim to provide continuous improvement to the system.

Direct Actions

These include setting clear guidance setting clear guidance, policies, and expectations. These actions generally take place before an action occurs. For example, standard forms are created before the project activities begin to help ensure that all staff on the project are held to the same level of accountability when managing project processes.

There are many actions that fit into the direct category. All of them are intended to encourage the right action (and discourage errors, fraud, and theft). Examples that fall into this category include: Finance Manual; Delegated authority; Standard forms; Budgets; Disciplinary policy, Training; Code of conduct; Job descriptions etc. The main ones are explained further below.

Finance manual: This represents the first document for an organisation to review when identifying direct action that guide the work of a project team. The purpose of a manual as earlier discussed is to set out principles, policies, and practices on matters that the affect the operations of an organisation. Policies outline the reasons why things are done the way they are, and the procedures explain how things are done on a day to day basis.

Delegated authority: Decisions need to be made in advance by every organisation about individual responsibilities for financial procedures and the respective authority they have. These decisions are recorded in a delegated authority document, sometimes referred to as the authorization matrix. The purpose of the document is to clarify who has the authority to make decisions, commit expenditure, and sign legal undertakings on behalf of the organisation so that there is no confusion about responsibility. The delegated authority document includes instructions for duties such as: Signing cheques; Authorizing staff expenses; Placing and authorizing orders for goods and services; Access to the safe and petty cash; Handling incoming cash and cheques; Checking and authorizing accounting records

Project team member are required to familiarize themselves with the document and follow its guidance when managing the project.

See an example of a delegated authority matrix for petty cash in table 8 below

PETTY CASH	**EMPLOYEE**			
TASK	1	2	3	4
Custodian	X			

Prepares Requisition form		X		
Approves Requisition Claim form			X	X
Prepares Petty cash voucher	X			
Verifies (count) Petty Cash	X			
Records transaction in petty cash journal	X			
Makes surprise cash count				X
Prepares replenishment voucher	X			
Reviews replenishment voucher				X
Approves replenishment voucher			X	
Authorises replenishment			X	

Key
1. HR/Administration officer
2. Respective staff/Employee
3. CEO of the organisation
4. Finance and Administration officer/department

Preventive Actions
Prevent actions are intended to remove and/or limit opportunities to misuse resources or commit theft. Prevent actions, like direct actions, are proactive and address risks before they become an issue that needs to be corrected. Prevent actions generally operate during implementation of project activities.

Some of the action in the prevent category include;
1. Cash management policies and Insurance policies
2. Authorization limits
3. Segregation of duties
4. A safe or strong box
5. Procurement policies
6. Vehicle log books

The main ones are discussed further below:
***Cash controls*:** Developing appropriate internal controls for cash and bank accounts are critical for maintaining the security of your organization's funds. The top rules for handling cash includes;
1. *Always giving receipts for money received*. This protects the person receiving the money and assures the person handing it over that it is being properly accounted for. Receipts must be written in ink, not pencil, and preferably from a numbered receipt book. It is common good practice for receipt books to have three carbon copies: one for the payer, one for the accounting records, and one which stays in the receipt book.
2. *Never mix incoming cash and outgoing cash*. Never put cash received into the petty cash tin, as it will lead to error and confusion in the accounting records. All money coming in must be paid into the bank promptly and entered to the records before it is paid out again. Failure to do this could distort financial information.

3. *Pay surplus cash into the bank*. Having cash lying around in the office is a temptation to a thief. The money would be better managed and earning interest in a bank account. A casual approach to cash on the premises might also lead to people wanting to "borrow" from it. You should always aim to pay cash received into the bank on a daily basis or, at the very least, within three days of receipt.
4. *Always obtain receipts for money paid out*. Sometimes this may not be possible, when purchasing materials from a market stall, for example. In this case, the cost of each transaction should be noted down straight away so that the amounts are not forgotten. These can then be transferred to a petty cash slip or internal receipt and authorized by a manager. Remember: no receipt means there is no proof that the purchase was made.
5. *Have properly laid down procedures for receiving cash*. To protect those handling money, ensure that there are proper procedures in place. The procedures may vary depending on the organization and the context, but could include steps such as: verify the total by counting the currency in the presence of the depositor; keep the money received out of the cash register, cash box, or deposit bag until the transaction is complete; etc.
6. *Restrict access to petty cash and the safe*. Keys to the petty cash box and the safe should be given only to authorized individuals. This should be recorded in an organization's delegated authority document.
7. *Keep cash transactions to a minimum*. Use cash only when all other options are inappropriate. Wherever possible, set up suppliers' accounts and pay invoices by check or bank transfer. The advantage of paying for most transactions through the bank is that this has the effect of producing a parallel set of accounts in the form of the bank statement. Also, it ensures that only authorized people make payments and it reduces the likelihood of theft or fraud.

Physical controls: Physical controls apply to all of the valuable assets used by your project from cash to building supplies, from valuable documents to vehicles, and everything in between. The two main methods include use of a safe to keep cash, cheque books and other important documents for internal control and safeguarding fixed assets. Measures to safeguard fixes assets include; Maintaining an asset register; Documenting a building and equipment maintenance policy; Obtaining insurance cover; Establishing a vehicle policy; and maintaining vehicle logs amongst others. See an attached copy of a sample asset register in the appendices.

Detect Actions

Detect actions implement procedures and practices designed to identify if and where things have gone wrong. These actions take place after the activity has taken place. All detect activities are intended to identify irregularities, errors, fraud, and theft. Some illustrative actions that fall into the detect category include: Audits; budget monitoring; cash counts; payment vouchers; reviewing records amongst others.

Correct actions

Correct actions aim to provide continuous improvement to the internal control system. Correct actions update and improve internal control system as the team learns from experience. Illustrative actions in the correct category include: Revising policies and procedures; Conducting refresher training; Correcting errors in the records: Taking disciplinary actions; Acting on audit recommendations.

7.4 Addressing Fraud

Fraud takes place when a person deliberately practices deception in order to gain something unlawfully or unfairly. In this case fraud is defined as "wrongful deception with the intent to gain personally or financially" or "intentionally lying or cheating to gain an advantage or to cause someone else to make a loss." Fraud has a damaging effect on an organization with wide-ranging consequences if not properly managed.

Strategies to prevent fraud and take action before it happens include:
1. Ensure that robust internal control systems are in place.
2. Establish schedules for regular project visits, so that the project team can monitor project expenditures and check they are in line with implemented activities.
3. Share financial reports with beneficiaries and ask if they think the project is offering them value.
4. Hold regular meetings with staff at all levels (e.g., project and administrative staff, board members, and with partners, etc.) to discuss financial reports and make budgets and reports openly available to ensure transparency.
5. Take time to help non-finance staff and managers to improve their financial skill

An organisation can lose a significant amount of assets due to fraud. There are several factors that make it likely that fraud will occur or is occurring in a business. These fraud risk factors include:
1. *Size and value*. If items are of high value in proportion to their size, it is less risky to remove them from the premises. This is a particularly critical item if it is easy for employees to do so.
2. *Ease of resale*. If there is a ready market for the resale of stolen goods (such as for most types of consumer electronics), this presents an increased temptation to engage in fraud.
3. *Cash*. If there is a large amount of cash hand, or cash in bank accounts, there is a very high risk of fraud. At a local level, a large balance in a petty cash box presents a considerable temptation.
4. *Separation of duties*. The risk of fraud declines dramatically if multiple staff are involved in different phases of a transaction, since fraud requires the collusion of at least two people. Thus, poorly-defined job descriptions and approval processes present a clear opportunity for fraud.
5. *Safeguards*. When assets are physically protected, they are much less likely to be stolen. This can involve fencing around the inventory storage area, a locked bin for maintenance supplies and tools, security guard stations, an employee badge system, and similar solutions.
6. *Documentation*. When there is no physical or electronic record of a transaction, employees can be reasonably assured of not being caught, and so are more inclined to engage in fraud. This is also the case if there is documentation, but the records can be easily modified.
7. *Time off*. When a CSO requires its employees to take the full amount of allocated time off, this keeps them from continuing to hide ongoing cases of fraud, and so is a natural deterrent.
8. *Related party transactions*. When there are many transactions with related parties, it is more likely that purchases will be made at amounts that differ considerably from the market rate.
9. *Dominance*. When a single individual is in a position to dominate the decisions of the management team, and especially when the board of directors is weak, this individual is more likely to engage in unsuitable behavior.
10. *Turnover*. When there is a high level of turnover among the management team and among employees in general, the institutional memory regarding how transactions are processed is weakened, resulting in less attention to controls.

11. *Auditing*. When there is no internal audit function, it is unlikely that incorrect or inappropriate transactions will be spotted or corrected.

7.5. The Finance Manual

Underpinning all financial management systems is a series of financial policies and procedures which guide operations and lay out how your organisation uses and manages its money. A financial procedures manual brings all these together in one document. It helps to establish financial controls within the organisation that ensure accuracy, timeliness and completeness of financial data. It serves as a reference to avoid misunderstandings and encourage consistency. Once approved, the manual becomes part of the hierarchy of regulations that an organization must follow. The manual is generally used by finance staff, but it can also act as a reference for trustees, managers and other staff.

Policies Vs. Procedures

A policy sets out principles and guidelines for a key area of activity within an organization. It answers any questions about how important resources are used. For example, a vehicle policy will clarify who can drive an organization's vehicles, how they should be disposed of when no longer needed, and outlines the rules on private use by staff.

Procedures describe the steps for carrying out the guidelines in a policy. They often include a requirement to complete standard forms, to gather data, and ensure correct authorization for actions. For example, a vehicles usage procedure might require the completion of vehicle requisition forms and journey log-sheets.

There is no one model of a financial procedures manual and each organization's will depend on the needs and structure of the organisation.

The typical financial content headings for a financial procedures manual includes;

1. Accounting rules and routines
2. Bank and cash handling procedures
3. Code of conduct
4. Coding structures
5. Delegated authority
6. Financial planning and budget management processes
7. Financial reporting routines
8. Fixed assets
9. Fraud and other irregularities
10. Grant management guidelines
11. Procurement procedures
12. Staff benefits, allowances and benefits
13. Stock control
14. Vehicle management
15. Organizational chart
16. Standard forms/templates

Ideally, financial policies are developed in the following stages:

1. Assessing the need: The very first step in making a policy is to understand its purpose. NGOs need to address specific needs or objectives while making financial policies. Identifying the purpose will give a strong foundation and base to overall policy development. Therefore, it is the most significant stage in the policy making procedure.
2. Identifying key roles & responsibilities: Once you the purpose of the policy, it is time to define important roles and responsibilities according to expertise. At this stage, key members are designated in their respective positions. Responsibilities are delegated to individuals, groups, sub-committees or working group, depending on organizational structure and functioning. Disseminating key roles also help in identifying important individuals/group, which shall be responsible for various aspects of financial management. It also helps in categorizing scope of financial tasks and activities and the lead person behind it.
3. Gathering Information: While developing the policy you will need information related to financial resources, assets and other available sources of financial data. All such data should be accumulated, analyzed and then be used for framing initial policy content. It is best to gather whatever information is available from the market and then classify. By doing so, it will give a reflection of environment, factors and other features which might affect or help in making financial policy for a Non-Governmental Organization.
4. Drafting policy: While many NGOs do the initial draft in pen and papers, others prefer doing in word doc. No matter which mode you opt, you need to be careful while choosing the words, language, length, complexity, style and tone. Words must be simple, without any jargons. Do not complicate the document that it is difficult to understand and implement its clauses. For a policy to be fair, realistic and acceptable, it is important to have a structured approach.
5. Consulting with appropriate stakeholders: Stakeholders play a major role in formulating financial policies of NGOs. After the first draft has been prepared, it is best to involve the stakeholders since they are the ones, mostly moved by policies. Stakeholders can be anyone including individuals and organizations that might positively or negatively, directly or indirectly affect or be affected by the activities stated in the policy package. In ideal circumstances, stakeholders and policy-makers sit together and discuss about the potential implications of the financial policy. Based on whether the NGO decides to develop its internal governance or external policy positions, the appropriate stakeholders are consulted.
6. Finalizing/Approving policy: After the stakeholder consultation, there may be certain changes in the policy document. After incorporating the changes in the policy, the Management Committee approves the policy. While approving the policy, the management committee discusses all the aspects of the policy with financial heads to ensure that the policy will be fruitful and productive in the view of achieving its objectives and meeting its purpose.
7. Considering other procedures/measures: Whether for internal or external policies, essential procedures need to be developed for providing necessary support. These procedures are established after considering the need for clear guidance towards implementing the policy and the responsible people behind the execution. All the procedure-related decisions, which will further affect the implementation of the policies, are taken at this stage.
8. Implementing: Once steps have been taken the clauses of the policy are communicated with the target audience. Proper training and guidance is provided to the staff and volunteers to support and enhance the quality of policy execution. Multi-national NGOs often conduct conference to spread awareness about their financial policy.

9. Monitoring & Reviewing: In order to ensure that policy gets implemented in the best possible way, constant monitoring, reviewing and revision are done. It is seen that monitoring systems and reporting modules are accessible and responsive. By establishing suitable reviewing systems, policy heads can keep a firm check on overall execution of policy and be sure about its proper functionality. In case it is seen that the policy has loopholes in certain sections, the same is amended and fine-tuned for best results. Monitoring and reviewing gives an overall assessment about the ultimate benefits of framing the policy

8.0 PAYROLL AND TAXATION

8.1 Payroll

Payroll represents the human resource costs that are incurred by an organisation towards payment of salaries and emoluments to the all employees and staff members of the organisation. This is guided by the Labour ACT (1997) of South Sudan which stipulates the general principles and guidelines as regards payments and deductions of the same.

Payroll constitutes; Employees name, Employees PIN, Employees No. (Optional), Basic salary, Benefits (All benefits, cash and non-cash), Tax charged, Other deductions (Social security, advances etc) and the net pay.

Each organisation appoints specific individuals who will be responsible for the preparation of payroll and may include the following;

1. The Executive Director/CEO of the organisation
2. Heads of Department
3. Managers/supervisors
4. Finance officers and other accounting staff

8.2 Payroll Procedures

1. Salaries and related remunerative costs paid to staff are prepared as per their employment letters and subsequent amendments to it.
2. The Finance/Accounting department is normally designated to run the payroll and ensure that all new employees are entered into the system with the appropriate salary level and statutory deductions.
3. Salaries paid should be net of all statutory deductions and recovery of other advances.
4. Before the payroll is run, the payroll register is checked for accuracy by a senior officer say the Head of Finance or the Director or HR manager. Once approved, payroll is processed.
5. Employees' net pay is directly transferred to the employee's bank account.
6. The Excel/payroll software system (system used) produces a list of employees with the net amount of pay for each.
7. Salary payments are made by EFT from the organisation's bank account into the individual accounts of the employees.
8. Statutory deductions are deducted from all employees and remitted to the authorities by the due dates.
9. Salary pay slips are prepared and issued to staff at the end of every month.

8.3 Computation and remittance of taxes (South Sudan)

While computing taxes for those in employment in South Sudan, the following needs to be noted:

1. Anyone who pays wages, interest, dividends, rents, and royalties is required to withhold tax from those payments and pay the amount withheld to the Government account through a monthly return submitted to the Directorate of Taxation. Tax withholding is a deduction for taxable amounts made by third parties.
2. The rate of withholding on wages is 0%, 10% and 15%, depending on the level of income of the wage earner.

3. Anyone who pays wages, including allowances or benefits, to an employee for services rendered in South Sudan must withhold South Sudan taxes from that employee whether the employee is a resident or non-resident.
4. The first SSP 300/month of wages is exempt from tax, so no withholding applies with respect to the first SSP 300 of wages per month.

Below is a table of tax rates applicable to income from wages:

Amount of Taxable Income (monthly average)	Tax Rate
SSP 300 and below	Exempt
SSP 301 to 5000	10%
SSP 5,001 and above	SSP 470 +15%

Tax on wages is calculated as follows (assuming 8% deduction for pensions). If a pension deduction is not made, ignore that step in the calculation.

a. Gross Wages	b. Allowances	c. Gross wages	d. Pension deduction (c *.08)	e. Taxable Income (c - d)	f. Exemption	g. Taxable wages (e - f)	h. Tax (g * .10) or 470 + ((g-470) *.15)	i. Net salary c - (d+f+h)
1,600	500	2,100	168	1,932	300	1,632	163.20	1,468.30
3,000	800	3,800	304	3,496	300	3,196	319.60	2,876.40
4,500	1000	5,500	440	5,060	300	4,760	479	4,281
5,000	1400	6,400	512	5,888	300	5,588	603.20	4,984.80
Total						15,176	1,565	13,610.50

NB: There is a withholding tax collected by the National Government on rental payments. The withholding applies to businesses, NGO's, etc., that rent their business premises or other immovable property and to the rental of heavy equipment, such as that used in construction, mineral extraction, petroleum production, etc.

It is an amount to be withheld by the tenant from rents paid – so that, if the business is renting its premises for 2,000/month, the tenant withholds SSP 200 (10 %) and pays that to the Directorate of Taxation and the remaining SSP 1,800 is paid to the landlord. The tenant reports the amount withheld on a monthly withholding tax report (the same report as used for reporting the amount withheld from employee wages).

The monthly withholding tax return is due on the 15th day of the following month (return for taxes withheld in March is due by the 15th of April). The withheld tax is paid to an authorized commercial bank and a copy of the transaction record provided by the bank is taken to the tax administration along with the tax return. The bottom portion of a sample monthly withholding form – in this case, the taxpayer must pay SSP 1,765 in taxes due:

Type of Payment (a)	Gross Taxable Amount (b)	Number of Payees (c)	Rate % (d)	Total amount withheld (e)	Net amount paid (f)
Wages	SSP 15,176	4	10,15	SSP 1,565	SSP 13,610.50

Dividend			10		
Interest			10		
Rents	SSP 2,000	1	10	SSP 200	SSP 1,800
Royalty			10		
Total	SSP 17,176	5		SSP 1,765	SSP 15,410.50

8.4 Penalties and Interest and Application of payments (South Sudan)

1. If you file your return after the due date, or if you pay your tax after the due date, you will be subject to penalties and interest. Interest currently accrues at the rate of 3.6% per month.
2. The penalty for late filing a return is 5% of the tax due on the date the return was due to be filed, up to a maximum of 25%. The penalty for late payment of tax is 5%/ month of the unpaid tax and continues to apply until the tax is fully paid.
3. If there are any penalties or interest due at the time the payment is made, the payment first applies to the outstanding penalties and interest before it is applied to the tax due.
4. A payment made after the due date will always be first applied to any penalty or interest due, so that even though the full amount of the tax may have been paid, there will remain a tax balance on which additional late payment penalty and interest will accrue. The late payment penalty and interest will continue to accrue until the tax is fully paid.

9.0 PROJECT COST RECOVERY AND ALLOCATION

9.1 Project cost recovery

Cost Recovery means ensuring that all costs involved in running a project are recovered, through securing funding or charging at a level which includes a relevant proportion of organizational costs. Regardless of the funding source and project, all nonprofits/CSOs must calculate their true cost of service for two reasons:

1. Charging funders the accurate amount for services performed to ensure sustainability.
2. Planning, budgeting, and program optimization.

In order to recover the full cost of providing a program, a nonprofit/CSOs must first calculate their true cost of providing this program. This true cost is broken into three pieces, the direct portion, the overhead portion, and the indirect portion.

Direct costs are those costs which are incurred as a direct result of delivering the project i.e.:

1. Salaries of people working directly on the project
2. Their travel and subsistence
3. Materials or other costs directly related to the project.

Overhead or 'Indirect' costs – those needed to manage and support projects and the organisation itself - core costs which are shared amongst the organization's various activities i.e.:

1. Premises hire
2. Leadership (Chief Officer)
3. Finance (accounting, budgeting, invoicing, purchasing etc.)
4. Human Resources (administering, payroll, recruitment etc.)
5. IT (purchasing and maintaining computers, email, websites etc.)
6. Facilities/Offices (purchasing and maintaining premises, leasing premises, office materials and equipment

10.0 PROPERTY AND EQUIPMENT MANAGEMENT

10.1 Introduction

1. A fixed asset is any moveable asset with a useful life of more than one year and a purchase cost assigned by the CSO. Property and equipment are tangible assets, including buildings, land improvements, furniture & fixtures, computers, equipment and vehicles with an estimated useful life of more than one year.
2. All fixed assets are under the overall custody of the finance department. Every asset is assigned to a cost centre and under the care of the cost centre manager who is responsible for keeping it in good condition and secure.
3. Any transfer of fixed assets to a location or from a location to another must be authorised on an Asset movement Form. The objective is to control the use, receipt and disposal of each type of property and equipment and its balances in the books of account.
4. CSOs shall depreciate all property and equipment on a on a basis (e.g. straight line, reducing balance etc) over their respective useful lives.
5. The Accountant/Finance Officer/Accounts Assistant/Logistics Officer shall be responsible for the receipt, issuance, maintenance, movement, transfer and disposal of all property and equipment as well as the maintenance.
6. There shall also be maintained by the Accountant/Finance Officer/Accounts Assistant an inventory listing/register of all property and equipment by numerical order, by location and/or by category. The Accountant/Finance Officer/Accounts Assistant shall also be responsible for updating of records of all property/equipment in the fixed asset register. Management uses the register to ensure that:
   a) all fixed assets are properly acquired, recorded and maintained
   b) the physical location and working conditions of all fixed assets are properly monitored during their useful life
   c) all disposals of fixed assets are properly authorised and recorded
   d) all assets are properly insured
7. Periodic physical inventory of property and equipment should be conducted every end of the financial year and reconciled with the asset register/inventory listing.

10.2 Acquisition of Fixed Assets and Property

A Request asset purchase is done by the requesting project using a **Purchase Requisition form**, which must be completed in triplicate together with appropriate supporting justification details and approved by the Co-Coordinator/Director/CEO and Coordinator/Director/CEO(s). Such requests must certify that the requisition meets all the requirements and procedures of procurement.

10.3 Disposal of Property and Equipment

1. Assets may be disposed through either sale, transfers to other projects or donations to other parties. The board should properly authorize all disposals. A pre-numbered disposal form shall be completed by responsible staff and approved. The form shall include information of the asset description, date/cost of acquisition, bids received if any as well as the reason for disposal.
2. Sale of assets should be on a competitive bid basis where possible and be documented by a letter to the buyer signed by Board chair. Unserviceable or junked items of property and equipment maybe disposed in bulk on a “where is, as-is” basis upon approval by the Board.

3. The property and equipment register shall be marked DISPOSED, SOLD or DONATED upon disposal with clear reference to the sale documents.

11.0 EXTERNAL AUDIT

11.1 Why audit

1. Financial Statements fairly presents the financial position of RANET and the results of each activities for the year then ended;
2. Financial Statements comply with statutory requirements and generally accepted accounting practice;
3. Financial Statements have been prepared using appropriate accounting bases and policies applied, consistently from year to year;
4. proper accounting records have been maintained; and
5. the Financial Statements agree with the accounting records.

11.2 The audit Process

1. Agree Audit Time Table with auditor e.g.
   a) Initial risk assessment: 1st week of February
   b) Start of Audit: 3rd week of February
   c) Initial draft of Financial Statements: 1st week of March
   d) Final draft of Financial Statements: 2nd week of March
2. Implement the audit schedule and obtain audited reports
3. The board should discuss and approve the audit reports
4. Circulate the reports to stakeholders

12.0 ANNEXES/ APPENDICES

12.1 Sample Forms/ Templates

XYZ CSO
PURCHASE ORDER

QAS Ref. No: __________ Department ______________________ Date: ________________

Supplier _______________________________ Suppliers Quotation No. ________________

No	Description	Qty ordered	Unit price		Total Amount	
			Kshs	Cts	Kshs	Cts
Total Amount						

Prepared by:...................................Designation:.............................. Signature:.....................Date: ....

Checked by:...................................Designation:.............................. Signature:.....................Date: ....

Approved by:...................................Designation:.............................. Signature:.....................Date: ....

XYZ CSO
PURCHASE REQUISITION FORM

Order No. ……………………………….. Date: ………………………………….

Project/Department…………………………………… Budget Ref: …………………………….

No	Description	Qty Ordered	Qty Approved	Unit price		Total Amount	
				Kshs	**Cts**	**Kshs**	**Cts**
Total Amount							

Prepared by:………………………….....Designation:……………………..…. Signature:…………………Date: …………

Checked by:……………………….......Designation:…………………....…... Signature:………..……...Date: …………

Approved by:…………….………….....Designation:……………………...... Signature:………………….Date: …………

XYZ CSO

Monthly Bank Reconciliation

xxxx Entry in grey boxes only

For the Month of: ______ **Date of Statement:** ______

Currency: ______ **Statement Ending Balance:** ______

ADD:

Listing of DEPOSITS not credited/not appearing in the statement

	Deposit Date	Details	Amount
1			
2			
3			
4			

Total of deposits not credited on the statement 0

LESS:

Listing of CHEQUES outstanding/Not appearing on statement

	Cheque No	Details	Amount
1			
2			
3			
4			

Total of Outstanding cheques not listed on the statement 0

Adjusted calculated bank balance	**0**
LESS:	
Balance as per Adjusted Cashbook	
Reconciled Difference (Should be NIL if reconciled otherwise look for the difference)	***0***

XYZ CSO
Petty Cash Replenishment Request form

Month of ____________

	Date	Voucher No.	Account Code	Project Code	Donor Code	Budget Code	Description	Amount Received (Kshs)	Amount Paid (Kshs)	Balance
							Opening Balance b/f			
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
	Total									

Prepared by:………………………….. Designation:…………………….…. Signature:………………..…………
Date:…………………………….

Checked by:………………………………Designation:……………………..… Signature:…………………..…………

Date:………………………………

Approved by:………………..……………Designation:……………………..… Signature:…………………..…………
Date:………………………………

XYZ CSO

QUOTATION ANALYSIS SHEET

Product	Quantity	Supplier 1		Supplier 2		Supplier 3		Supplier 4	
		Price	Total	Price	Total	Price	Total	Price	Total

Selected Supplier: ……………………………………………………………………………………

Reasons for Selection:

1. ………………………………………………………………………………… ………………………………….
2. ………………………………………………………………………………… ………………………………….
3. ………………………………………………………………………………… ………………………………….

<u>Procurement Committee:</u>

Designation:……………………….…. Signature:………………..…………Date: ………………………………

Designation:……………………….…. Signature:………………..…………Date: ………………………………

Designation:……………………….…. Signature:………………..…………Date: ………………………………

XY
Z
CS
O

ASSET REGISTER

Month: **Year:**

Description	Acquisition Date	Unit Acquisition Price	Currency	Supplier Name	Serial Number	Reference/ Tag number	Warranty	Current Location/ Assigned User	Condition/ Status	Date last Verified	Date of Disposal	Notes

Prepared By: ____

Date: ______________________

Checked By: ____

Date: